ASCENTIAL

15 March 2021

# Ascential plc

## Audited results for the year ended 31 December 2020

## Clear strategy. Digital Commerce growing strongly

London: Ascential plc (LSE: ASCL.L), the specialist information, data and analytics company, today announces results in line with expectations for the year ended 31 December 2020.

**Strategic and operational highlights**

- Strong delivery against long-term strategic priorities in a transitional year:
  - eCommerce: accelerated adoption driving strong growth in Digital Commerce.
  - Product Design: revenue expansion through newer products including launch of Food and Drink.
  - Events: despite significant in-year impact with revenues from events down £130m, our marquee events are positioned for a physical and virtual hybrid-based recovery.
  - Streamlining: disposals and cost measures supporting investment and strong balance sheet.

- Segmental performance demonstrates resilience in a challenging backdrop:
  - Digital Commerce: very strong growth; revenue up 25%; EBITDA almost doubled; now largest segment.
  - Product Design: solid performance built on c.90% subscription base and expanding end market.
  - Marketing: live events and advisory impacted by Covid-19 restrictions, but subscriptions performing well.
  - Retail & Financial Services: focus on post pandemic relaunch of Money20/20 and enhanced service for retailer offering.

- Sale of non-core Built Environment & Policy business for £257.9m supports investment in organic growth and targeted acquisitions, while reinforcing the balance sheet. Treated as a Discontinued Operation.

- Acquisition of X Target in China and Intellibrand in Brazil further extends capabilities and geographic reach for Digital Commerce; ongoing investment in Hudson MX's pioneering media-buying platform.

- Paul Harrison, our former Audit Chair and CFO of Just Eat plc and The Sage Group plc, appointed as Chief Operating Officer. New Audit Chair, and two other NEDs appointed to an experienced and diverse Board.

**Financial highlights**

- Results in line with expectations.

- Revenue of £263.7m (2019: £380.3m) for continuing operations.
  - Revenue of £301.1m (2019: £416.2m) including discontinued operations.
  - Reported revenue reduction of 31%.
  - Digital subscriptions and platforms revenues (79% of the total) up by 11% proforma driven by Digital Commerce.

- Adjusted EBITDA of £28.5m (2019: £109.0m) for continuing operations.
    - EBITDA of £50.0m (2019: £128.5m) including discontinued operations.
    - Reported reduction of 74% resulting in margin of 10.8% (2019: 28.7%).

- Resilience in pandemic underpinned by early and proactive reductions in cost base. Costs reduced by 13% year on year while maintaining capital investment in product and business systems.

- Reported operating loss of £166.5m (2019: profit of £1.8m) includes £97.6m (2019: £33.1m) for deferred consideration mainly in respect of Flywheel Digital following its extremely strong performance in 2020 and £28.4m impairment charge for goodwill and acquired intangibles in the Retail & Financial Services segment.

- Adjusted diluted EPS 1.9p (2019: 18.8p). Statutory loss per share of 34.0p (2019: EPS of 2.0p).

- Operating cash flow conversion of 90% (2019: 86%), resulting in closing net debt of £229.3m with available liquidity of £217m. Net debt of £140m proforma for post year-end M&A[1].

- Having considered its capital allocation priorities and the uncertain economic environment, the Board has decided not to pay a dividend in respect of 2020. The Board will keep shareholder cash returns continually under review.

[1] Proforma adjustments relating to cash flows in early 2021 are (a) Cash proceeds from the sale of the BEP businesses (b) Initial Consideration for the acquisitions of Intellibrand and X Target and (c) Deferred consideration payable in the first half of 2021.

**Duncan Painter, Chief Executive Officer, commented:**

"The last year has underlined the importance of our strategic focus: serving brands that operate in digital marketplaces. We were already operating in a highly digital world, and the fundamental shift towards online channels has only accelerated since the pandemic. This further drives demand for our data-driven insights in the three ways we support customers: creating the right products, maximising their marketing impact, and optimising their trading performance on eCommerce platforms.

Despite the significant financial impact of Covid-19 on our business, I have been delighted by the business's response to the pandemic crisis. Our people and their dedication to ensuring we serve our customers, and their flexibility to ensure the Company has not missed a beat, has been remarkable. We reacted quickly and decisively with measures that saw a 13% year on year reduction in our cost base whilst ringfencing continuing strong levels of investment in our innovative digital services.

Digital Commerce is now our largest and fastest growing segment and is well placed to benefit from the structural gains arising from the acceleration in eCommerce adoption. While our two marquee events are ready for a recovery as conditions allow, the Covid-19 pandemic restrictions continue to influence the timing of a return to maximum participation at venues. The pace and effective delivery of vaccines will also be a critical factor. Nevertheless, the resilience and underlying momentum within the business model, combined with our strong balance sheet and strong trading in the first two months of the year, give us confidence of further good progress in the year ahead."

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Ascential will host a webcast presentation for analysts and investors at 9.00am on Monday 15 March 2021, from www.ascential.com. A recording will also be available on-demand from our website in due course.

**About Ascential**
Ascential delivers specialist information, analytics and eCommerce optimisation platforms to the world's leading consumer brands and their ecosystems.

Our world-class businesses improve performance and solve problems for our customers by delivering immediately actionable information combined with visionary longer-term thinking across Digital Commerce, Product Design and Marketing. We also serve customers across Retail & Financial Services.

- *Digital Commerce* - measurement, optimisation and execution for digital commerce growth.
- *Product Design* - consumer product trend forecasting, data and insight to create world-class products and experiences.
- *Marketing* - services and tools to measure and optimise marketing creativity, media and platform effectiveness and efficiency.

**Cautionary statement**
Certain statements in this announcement constitute, or may be deemed to constitute, forward-looking statements (including beliefs or opinions). Any statement in this announcement that is not a statement of historical fact including, without limitation those regarding the Company’s future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. As a result, you are cautioned not to place reliance on such forward-looking statements. Except as is required by the Listing Rules, Disclosure and Transparency Rules and applicable laws, no undertaking is given to update the forward-looking statements contained in this announcement, whether as a result of new information, future events or otherwise.

This announcement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to Ascential plc and its subsidiary undertakings when viewed as a whole.

## Financial highlights – continuing operations

| | 31 December | | | Growth | |
|---|---|---|---|---|---|
| | **2020** | **2019**[1] | **Reported %** | **Organic %**[2] | **Proforma %**[2] |
| | **£'m** | **£'m** | | | |
| **Revenue** | | | | | |
| Digital Commerce | 103.1 | 78.1 | 32% | 23% | 25% |
| Product Design | 88.1 | 85.7 | 3% | 1% | 1% |
| Marketing | 54.3 | 135.9 | (60%) | (59%) | (59%) |
| Retail & Financial Services | 18.2 | 81.1 | (78%) | (77%) | (77%) |
| Intercompany Sales | - | (0.5) | | | |
| | **263.7** | **380.3** | **(31%)** | **(32%)** | **(31%)** |
| **Adjusted EBITDA**[2] | | | | | |
| Digital Commerce | 22.9 | 12.3 | 86% | 75% | 85% |
| Product Design | 38.0 | 38.2 | (1%) | (6%) | (4%) |
| Marketing | (0.8) | 50.7 | (102%) | (101%) | (101%) |
| Retail & Financial Services | (14.3) | 25.1 | (157%) | (157%) | (157%) |
| Corporate Costs[3] | (17.3) | (17.3) | (1%) | (2%) | (2%) |
| | **28.5** | **109.0** | **(74%)** | **(75%)** | **(73%)** |
| *Group Margin (%)* | *10.8%* | *28.7%* | | | |
| **Adjusted operating profit**[2] | **6.0** | 87.2 | | | |
| **Operating (loss) / profit** | **(166.5)** | 1.8 | | | |
| **Loss before tax** | **(184.3)** | (7.9) | | | |
| **Adjusted diluted total earnings per share (pence)**[2] | **1.9p** | 18.8p | | | |
| **Total dividend per share (pence)** | **-** | 1.8p | | | |
| **Adjusted cash generated from operations**[2] | **25.7** | 94.2 | | | |
| ***Operating cash flow conversion**[2] **(%)*** | **90%** | *86%* | | | |
| **Net debt** [2] | **229.3** | 170.6 | | | |

[1] Restated to reflect segmental re-organisation and discontinuance of BEP.
[2] Refer to the glossary of Alternative Performance Measures below.
[3] Including stranded overhead costs following the BEP disposal of £1.7m (2019: £2.5m).

## Revenue by type – continuing operations

| | 2020<br>£'m | 2019<br>£'m | Proforma Growth |
|---|---|---|---|
| Digital Subscriptions & Platforms | 95.6 | 72.0 | 25% |
| Advisory | 7.5 | 6.1 | 24% |
| **Digital Commerce** | **103.1** | **78.1** | **25%** |
| Digital Subscriptions & Platforms | 81.3 | 78.4 | 2% |
| Advisory | 6.8 | 7.3 | (9%) |
| **Product Design** | **88.1** | **85.7** | **1%** |
| Digital Subscriptions & Platforms | 17.0 | 15.8 | 8% |
| Advisory | 35.0 | 49.8 | (29%) |
| Benchmarking Awards | 1.0 | 29.2 | (97%) |
| Events | 1.3 | 41.1 | (97%) |
| **Marketing** | **54.3** | **135.9** | **(59%)** |
| Digital Subscriptions & Platforms | 14.3 | 14.8 | (3%) |
| Advisory | 2.2 | 2.2 | 2% |
| Events | 1.7 | 64.1 | (97%) |
| **Retail & Financial Services** | **18.2** | **81.1** | **(77%)** |
| Advisory | - | (0.1) | nm |
| Events | - | (0.4) | nm |
| **Intersegment Sales** | **-** | **(0.5)** | **nm** |
| **Digital Subscriptions & Platforms** | **208.2** | **181.0** | **11%** |
| **Advisory** | **51.5** | **65.3** | **(21%)** |
| **Benchmarking Awards** | **1.0** | **29.2** | **(97%)** |
| **Events** | **3.0** | **104.8** | **(97%)** |
| **Total Revenue** | **263.7** | **380.3** | **(31%)** |

## CHIEF EXECUTIVE'S STATEMENT

**Channel shift supports strategic positioning**

The early phase of the pandemic restrictions served both to highlight and to accelerate the migration of consumer purchase behaviour globally onto digital platforms. The acceleration of this underlying trend unquestionably provided some tailwinds to our Digital Commerce business in 2020, particularly those products based on execution. More fundamentally though, it represents a likely permanent shift that will underpin our strategic position in years to come. Indeed, all indications suggest that the addressable market for eCommerce optimisation is substantial and will continue to expand rapidly. We believe we are in an excellent position to continue to capitalise on the competitive advantage that we have established to date and we operate within a total addressable market estimated to be $15.7 billion growing at 14% per annum over the period from 2020 to 2023.

**2020 in perspective**

For almost all businesses and individuals, 2020 was a year unlike any other, presenting extreme challenges in how we live our lives, work together and, particularly in the case of live events, how we engage with our customers. In certain respects, many of the changes we have had to make, both culturally and practically, will become part of our lives for the foreseeable future. However, there is also now clear reason to have confidence that vaccine deployment will allow the face to face interaction that we value so much to return gradually in the current and future years.

It is against this backdrop that I am pleased to say we have not only shown notable resilience as a business, displaying great examples of innovation in the development of our products, but have pushed further ahead in realising our strategic objectives and reinforcing our competitive position in several key areas.

**Our responsibility**

In a year of considerable turmoil for our society it has been more important than ever that we continue to be as supportive as possible of our own people, and of the communities in which we operate. Early in the year, we swiftly implemented temporary Executive and Non-Executive pay reductions and made limited use of the UK furlough scheme, with the goal of minimising the prospect of job losses and financial hardship for our people. On a pastoral level, a priority throughout the year has been to provide continued support to ensure our colleagues come through this pandemic secure in their physical and mental health: signposting extra support, creating bespoke Learning & Development content to address new ways of working, and increasing our level of leadership communication. Outside Ascential, we made a significant degree of content available free of charge to the business communities that we serve, during this period of widespread uncertainty.

Looking ahead, we are excited to have launched a company-wide Diversity and Inclusion report that demonstrates the diversity of our workforce, alongside a set of commitments that will guide us in sustaining a strong and diverse culture. One key objective is to create a workforce that fully reflects, at all levels, the racial and ethnic mix of our major markets within the next ten years. We are encouraged to see that our employee groups, including Ascential Pride and Black In Business, have flourished throughout the year and we are proud that WGSN and LIONS in particular, continue to lead the way in addressing pressing social and environmental issues with their global audience.

**Capital allocation and deployment of resources**

We are pleased to have found new owners for each of the Built Environment & Policy businesses that will continue to nurture their strong teams and potential. The sales of these businesses represent a significant moment in the realisation of our strategic goals, meaning we are now wholly focused on our core business areas that serve customers across digital marketplaces.

Throughout 2020, decisive cost actions, particularly in light of the uncertainty over live events revenues, enabled us to continue to invest in our core strategic areas, while also protecting the integrity and long-term value of our world-class brands. These actions, combined with, the successful sale of the Built Environment and Policy businesses have further reinforced our balance sheet and allow additional scope to selectively add to our capabilities, particularly in the burgeoning Digital Commerce market. This was illustrated by the recent additions of X Target and Intellibrand, and our continued investment in exciting opportunities such as Hudson MX.

**Execution against our 2020 objectives**

Although much has changed around us since we set these objectives twelve months ago, we have managed to deliver significant results in each area:

1. *Increase the rate of Organic revenue growth in the Sales Segment by accelerating Money20/20 and by driving strong billings growth in Edge in the second half of the year:*
   2020 saw Digital Commerce (formerly a sub-segment of Sales) become our largest and fastest growing segment, with proforma revenue growth of 25%. Edge Digital Shelf billings showed double digit growth in the year, accelerating in the second half.

2. *Focus on our service offering to further reduce customer churn:*
   Our businesses achieved record levels of engagement with their customers bases, particularly through their digital product offerings.

3. *Deliver product superiority across the Company allowing for further premium pricing for our highest quality product:*
   We increased our product investment and achieved double-digit growth in our digital subscriptions and platforms products.

4. *Deliver greater simplicity and efficiency throughout the business, including new systems and processes in our Finance, Marketing and Sales functions:*
   We have executed the sale of all three Built Environment and Policy businesses, identified previously as non-core, which simplifies our operating and strategic profile. We have also made progress on the transition to a new global streamlined back-office capability, commencing the rollout globally later this year.

**Financial Results**

The impact of the pandemic-related restrictions in 2020, on both our events and strategic advisory business drove an overall revenue decline of 31%, while adjusted EBITDA dropped by 73%. We recorded an operating loss of £166.5m in 2020 in part as a result of significant exceptional items from the revaluation of our deferred consideration obligations and the impairment of goodwill and intangibles in our Retail & Financial Services segment. On an underlying basis that excludes the impact of deferred and cancelled events, our revenues were up modestly overall, at 3%. This reflects the very strong performance from our Digital Commerce segment, where revenue grew 25% (on a proforma basis), or, looking at our revenue by type, growth of 11% from our digital subscriptions and platforms business, which represented 79% of our revenue in 2020.

Through *Digital Commerce*, more so than any other area of our business, we have seen the restrictions brought by the pandemic influence a fundamental shift in how our largest customers go to market. In the key US region, for example, we saw eCommerce penetration advance further in the second quarter of 2020 than in the previous ten years. This dynamic has driven particularly strong continued growth from our platform execution business while subscription-based measurement analytics products have also begun to benefit from the increased need of customers to reach their markets across multiple platforms. Key to meeting this demand was the successful integration of the Edge businesses early in the year which provides a single robust platform and interface for brands to manage their services. For Flywheel Digital, expansion onto burgeoning platforms such as Walmart, Kroger and Instacart has been a significant factor in their ability to track their own customers' growth in the period.

*Product Design* performed with great resilience in the year, led by a solid revenue performance from its majority subscriptions business tempered by tougher conditions in advisory. While the fashion vertical continued to decline, we saw the successful launch of Food & Drink, as the business continues to expand into adjacent design verticals that also complement our expertise within other segments, such as Digital Commerce. Highlights in 2020 also included the succession of record net promoter scores achieved by WGSN, testifying to the strength of this business's customer appeal.

The *Marketing* segment was significantly impacted by the pandemic related government restrictions in 2020, with the cancellation of the Lions festival and economic shock on the customer ecosystem felt keenly in our strategic advisory business. Despite this adversity, subscription revenues performed strongly, and while currently at a relatively small scale, we have a roadmap to growing their contribution through our continuing investment in Hudson MX's media buying solution. Following cancellation of the festival in June we launched Lions Live, a platform for the creative community, which attracted over 80,000 participants. Despite this success, we remain convinced that face to face engagement has a unique appeal, particularly for leading global events such as Cannes Lions. We greatly look forward to welcoming the creative community back to the platform this June, where we are planning to deliver a next-generation hybrid event combining a broad and global virtual reach, including fully digital awards, with in-person physical participation if possible.

*Retail and Financial Services* was another segment significantly affected by the pandemic restrictions prevalent last year, with Money20/20 shows in Europe and the US cancelled, together with the smaller World Retail Congress and Retail Week Live. Looking to this year we are excited about the potential for all four events, set to take place in the second half of the year, with Money20/20, in particular, representing the most significant focal point for a payment technology industry that continues to be a thriving and dynamic end market.

Our discontinued business, *Built Environment & Policy* returned to strong levels of growth overall in the second half of the year, led by the largest business, Groundsure, where we saw record levels of activity following the revival of the UK property market in May. Glenigan and DeHavilland both demonstrated more even progression in the year underpinned by solid subscription renewals, despite new business being impacted by lower activity in the UK construction industry and broader government policy, respectively.

**Management and Board**

In January of this year, we were pleased to welcome Paul Harrison, formerly a Non-Executive director and our Audit Committee chair, into a new executive role as Chief Operating Officer. This appointment brings further depth to our senior management team, as well as Paul's highly relevant experience of driving growth in innovative digital businesses.

Chip DiPaula and Patrick Miller, co-founders of Flywheel Digital, have assumed joint leadership of our Digital Commerce business, a segment that in the last year has become our largest and fastest growing and remains at the centre of our ambition to drive the company forward. Within Digital Commerce, Deren Baker, formerly CEO of Jumpshot, has been appointed to lead Edge. For Product Design we have appointed Carla Buzasi, formerly Managing Director of WGSN, to lead the business unit.

In terms of our non-executive Board members we have made three appointments in the past twelve months: Charles Song, Suzanne Baxter and Funke Ighodaro. Their addition to the Board widens the diverse experience and skills at our disposal and we look forward to their contributions.

**2021 Priorities and Outlook**

As we begin to emerge from the pandemic, we will continue to pursue the strategic priorities that we outlined last Summer:

1. Accelerating investments to drive strong organic growth in our Digital Commerce businesses and continued bolt on investments.

2. Continuing the new customer segment expansion for our Product Design business unit.

3. Making the necessary changes to ensure our marquee events of Cannes Lions and Money20/20 are set up to bounce back strongly, subject to the easing of local restrictions and pandemic recovery.

4. Continue to streamline our operations, enabling accelerated investment and further strengthening our balance sheet.

5. Continue to build on our innovative culture, record level of employee engagement and to empower success for our diverse workforce at all levels of our organisation.

The pandemic has thrown considerable challenges at our business both in terms of the underlying trading conditions in some of our end markets and disrupting the environment in which we engage with the audience of our two major events brands. However, it is also clear that a number of our brands, particularly in our key Digital Commerce and Product Design business units, remain well positioned, even more so than twelve months ago, to benefit from the accelerated shift towards eCommerce that we have seen the past year. In terms of our balance sheet, we continue to maintain substantial liquidity. Additionally, following the sale of the Built Environment and Policy businesses, which further refines our strategic focus, we have flexibility to continue to invest in the development of the high growth areas of our business, whether organically or through targeted acquisition opportunities.

2021 has started well with strong growth in revenue and profits in the first two months of the year. While the speed of vaccine deployment and easing of government restrictions will heavily influence the near-term financial success of our event products, we have high levels of confidence in our digital subscriptions and platforms products and, after double-digit growth in 2020, expect these revenue streams to continue to grow well in the coming year.

The actions we have taken, and the priorities we are executing against, position us well to return to continued strong growth over the coming years.

# SEGMENTAL REVIEW

### Digital Commerce Segment

*Flywheel Digital provides managed retail and media services to brands on Amazon with an expanding presence on the Walmart, Instacart and Kroger platforms. Our Edge and Yimian businesses deliver eCommerce data, insights and advisory, chiefly for performance measurement and digital shelf optimisation.*

| | Year ended 31 December (£'m) | | Growth (%) | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | Reported | Organic | Proforma |
| Revenue | 103.1 | 78.1 | +32% | +23% | +25% |
| Adjusted EBITDA | 22.9 | 12.3 | +86% | +75% | +85% |
| Adjusted EBITDA Margin | 22% | 16% | | | |

Digital Commerce grew revenues by 23% on an Organic basis and 25% including Yimian and Indigitous on a Proforma basis. Two-thirds of the growth was from new customers with one-third being expansion of our existing customer base. Profits grew significantly, driven by the high level of revenue growth which more than offset continuing investment in geographic and platform expansion. Our addressable market within Digital Commerce is estimated to be $4.7 billion growing at 29% per annum over the period from 2020 to 2023.

During 2020, the Digital Commerce businesses came together under the joint leadership of Chip DiPaula and Patrick Miller (the co-founders of Flywheel Digital). In September, Digital Commerce Live was launched, a week-long series of on-line content sessions exploring the future of the sector aimed at key customers and hosted by staff from across Edge, Flywheel and Yimian. Subsequently, the whitepaper Retail 5.0 was published, which highlighted the key considerations for CPG customers to succeed in eCommerce, in particular the necessity for marketplace-specific trading strategies.

Flywheel saw extremely strong growth over the year, adding 94 new customers, continuing its expansion in Europe, India and Japan and launching services on emerging digital platforms such as Walmart, Kroger and Instacart. Notable customer wins in the year included Kellogg's. Early in 2020, we extended our coverage into the active lifestyle category, with the acquisition of Indigitous, an Amazon-focused managed service provider based in Seattle. Flywheel's business model is highly leveraged towards customer success. Its revenue model is split between variable revenue streams from full-service retail and media-only engagements (c.80%) and those with fixed price retainers (c.20%). Therefore, a further driver of growth has been the accelerated shift in consumers' activity to on-line channels, particularly in the personal health and household categories, which reached record levels in 2020.

In 2020, Edge restructured its Retail Insight business and closed its loss-making retailer Price & Promotion services in the US market, thus focusing solely on serving consumer brands (with retailers and other service providers now served through the Retail & Financial Services business unit). Overall, Edge enjoyed solid trading in billings, particularly in the second half after the completion of the integration of its products and services. Digital Shelf, Edge's largest product, achieved double digit billings growth, while new business overall returned to strong double-digit growth in the second half of the year. The business completed all major customer-facing elements of its integration programme in the first half, with the launches of Market Share 2.0 and Digital Shelf 2.0 to customers early in the year. These achievements have been key in addressing customer needs, arising from the substantial uplift in eCommerce data flows throughout the pandemic period. Overall, Edge acquired 56 new customers in the year, with significant wins including Dyson, Carlsberg and Beiersdorf, as well as global customer agreements with Coca-Cola and Adidas. The partnership with Yimian continues to be a successful channel, providing Market Share insight for our global brand customers and, following the acquisition of Intellibrand, we plan to expand Edge services to include coverage of Food Service Aggregators.

Yimian added 22 new customers in the year, including cross sells with Edge customers L'Oréal and Reckitt Benckiser. The business more than doubled its size in 2020 launching market share services in South East Asia as well as O2O (Online to Offline) coverage in China. It was recognised as one of the 50 leading Retailtech enterprises by KPMG China. In 2021 we plan to consolidate our China platform and expand services into South East Asia.

**Product Design Segment**

*WGSN, a leading global supplier of trend forecasts, market intelligence and consumer insight, helps customers understand the future demands of consumers. Information is delivered principally through digital subscriptions (over 90% of revenue) to around 6,200 customers in over 90 countries.*

| | Year ended 31 December (£'m) | | Growth (%) | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | Reported | Organic | Proforma |
| Revenue | 88.1 | 85.7 | +3% | +1% | +1% |
| Adjusted EBITDA | 38.0 | 38.2 | (1%) | (6%) | (4%) |
| Adjusted EBITDA Margin | 43% | 45% | | | |

Product Design had a solid year overall, growing revenue organically by 1%, underpinned by its subscription base, which more than offset the pandemic-influenced 9% decline in its Mindset advisory business. Subscriptions were 92% of 2020 revenue (2019: 91%). The small reduction in profit over the prior year reflected a higher charge for bad debts as a result of the pandemic as well as investment in new products. Our addressable market within Product Design is estimated to be $6.0 billion growing at 5% per annum over the period from 2020 to 2023.

Subscription revenues saw overall growth tempered to 2% as tougher trading conditions from the earlier part of the year weighed on revenues, despite billings recovering materially at the end of the year with Q4 billings growth of 6%. The take-up of non-apparel focused subscriptions, such as Insight and Beauty, continues to be the chief engine of growth with the fashion product in continued decline. Subscription renewal rates have remained strong during the pandemic, although overall slightly below historic norms of c.90%. WGSN also achieved record Net Promoter Scores from its subscribers for the year, up 6 points on 2019, underlining the value of the information we deliver to customers and the strength of the WGSN brand. In terms of the advisory business, there were indications of a recovery in demand towards the end of the year, while the smaller Coloro business grew extremely strongly.

We have continued to develop our product offerings throughout the year adding increasingly authoritative quantitative data to our trend forecasting solutions with investment in decision science and collaboration with Edge underpinning new offerings like the Trend Curve. In June we successfully launched the new Food & Drink product, continuing our strategy to address adjacent markets, utilising data from other Ascential products (such as Edge) and following the launches of Beauty and Trend Curve in 2019. Beauty has now exceeded 400 customers, expanding into 5 languages and growing billings to c.£3m, while Food & Drink has now exceeded 100 customers, providing global trend insights, curated data and industry expertise, for brands to develop the products and services that consumers will eat, drink and experience in the near future. Additionally, in Q4 2020 we launched Start by WGSN, an offering focused on smaller and micro brands.

Looking ahead, we will continue to explore new market segments where our expertise in trend forecasting can be adapted, with a new product covering consumer electronics targeted for launch in 2021 and pursue initiatives to double the rate of new business acquisition.

**Marketing Segment**

*Lions, through both the awards and festival in June and its digital products and advisory business, is the global benchmark for creativity in the branded communications industry while WARC is the global authority on marketing effectiveness for brands, agencies and media platforms. MediaLink is a leading strategic advisory firm that serves the media and marketing ecosystem.*

| | Year ended 31 December (£'m) | | Growth (%) | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | Reported | Organic | Proforma |
| Revenue | 54.3 | 135.9 | (60%) | (59%) | (59%) |
| Adjusted EBITDA | (0.8) | 50.7 | (102%) | (101%) | (101%) |
| Adjusted EBITDA Margin | nm | 37% | | | |

Despite the continuing strong performance of digital subscriptions through WARC and The Work, the Marketing segment was significantly impacted by government restrictions arising from the Covid-19 pandemic, specifically the cancellation of the 2020 Lions festival. The associated economic conditions, which have been keenly felt by the marketing industry, have also adversely impacted MediaLink's advisory business. As a result, revenue in the Marketing business unit declined by 59% overall and made a small loss at the adjusted EBITDA level. Our addressable market within Marketing is estimated to be $5.1 billion growing at 6% per annum over the period from 2020 to 2023.

In the absence of the physical edition of the festival in 2020, Lions revenue in 2020 came principally from The Work's subscription-driven revenues, together with the Advisory in Creative Excellence practice, where major clients included AB InBev and PepsiCo. Given the absence of both awards and face-to-face events and to drive year-round engagement with the brand, Lions launched Lions Live: a broadcast programme of interviews with industry leaders, masterclasses and other original digital content that attracted an audience of over 80,000 from the marketing community and generated revenue from sponsorship. The success of this initiative confirms the brand's strength as the focal point for the creative industry and gives us a significant audience to build digital revenues from in the future.

Looking to 2021, the Lions awards will cover work created over two years from March 2019 to April 2021. The awards will be fully digital with our global juries operating in a virtual format, a solution that has been successfully applied at Lions' Eurobest awards in December 2020 and those at Spikes Asia and Dubai Lynx in early 2021. We are planning for a hybrid virtual and, if possible, physical event to ensure we meet the needs, plans and restrictions of our clients and partners. Our launch of Lions Membership Services is planned to deliver year-round digital engagement with the platform.

WARC recorded strong revenue growth, underpinned by the performance of subscription renewals and supported by the first full year of its advisory offering and expansion into brands and new geographies. In common with other businesses, WARC saw record levels of engagement in its digital content and grew its NPS score by 6 points. Highlights in the year included a programme to educate brand marketers on diversity and activism, with a key initiative in partnership with Cannes Lions (and bodies such as the 4A's Foundation) to bring industry knowledge to Historically Black Colleges and Universities via access to WARC and Lions' The Work platforms at zero cost. WARC also collaborated with Lions Live, where it launched the Creative Effectiveness Ladder, a universal code to unlock successful marketing strategies, and supported several insight sessions delivered to Edge's customers, including the Digital Commerce Accelerator summit focusing on the development of eCommerce in China. WARC finished the year with the 10th edition of the Marketer's Toolkit: "navigate through uncertainty", including insights from our Digital Commerce businesses, as well as Lions, MediaLink and WGSN, providing an overview of the challenges to consider, opportunities to explore and actions to take in 2021.

MediaLink saw challenging trading conditions associated with the Covid-19 pandemic and specifically economic pressures on its core customer base. This was manifested by lower levels of retainer business, and reduced project and search activity, while the absence of the Cannes Lions festival, a major platform for the industry, reduced the opportunity to drive new business. Nevertheless, June saw the launch of the MediaLink Beach Online delivering tailored activation meetings to clients and a curated series of insights from senior figures engaging the wider industry. Towards the end of the year the business began to see the return of significant advisory project work, suggesting the disruption the pandemic has brought to the industry is beginning to drive demand for MediaLink's transformation expertise. Most recently, MediaLink was appointed the official C Space partner for the first wholly virtual edition of CES, in January 2021, emphasising the pivotal role it plays in the wider industry.

**Retail & Financial Services Segment**

*The Retail and Financial Services segment comprises Money20/20 and Retail Week World Retail Congress as well as the Alternative Data team (previously reported in the Product Design segment) and the retail customers previously within the Digital Commerce business. Money20/20 is the leading point of reference for digital payments product strategy worldwide.*

| | Year ended 31 December (£'m) | | Growth (%) | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | Reported | Organic | Proforma |
| Revenue | 18.2 | 81.1 | (78%) | (77%) | (77%) |
| Adjusted EBITDA | (14.3) | 25.1 | (157%) | (157%) | (157%) |
| Adjusted EBITDA Margin | nm | 31% | | | |

Money20/20's US and European congresses, which focus on the evolution of consumer payment and financial services across multiple channels, were not able to run in 2020 due to the restrictions arising from the Covid-19 pandemic. In the absence of physical events, customer engagement was channelled through the brand's virtual content, achieving record levels of audience reach. In October, we successfully launched MoneyFest, a week-long virtual series of talks, seminars and networking opportunities for the Fintech community which attracted over 12,000 participants. Additionally, The Money Pot podcast, which addresses the current forces and ideas shaping the future of money, achieved downloads over seven times the level seen at its launch in 2019.

Looking forward to 2021 we are taking the opportunity to relaunch and streamline Money20/20 and will focus our efforts on running the European and US editions with both Asia and China editions on hold for now. The scale of rebound in 2021 will depend on the removal of restrictions on the hosting of largescale events, the global economy, the rates of vaccine deployment worldwide and customers' propensity to travel and attend large scale events this coming Autumn. In this regard, we are fortunate that Money20/20 is the most significant annual event in our industry and that payments technology continues to be an attractive end market.

Retail Week and World Retail Congress (WRC) serve the needs of UK and Global retailers and their ecosystem. The live events WRC Rome and Retail Week Live were cancelled for 2020 as a result of the restrictions arising from the Covid-19 pandemic and will run in September 2021 and October 2021 respectively. Following cancellation of the live WRC event in 2020, the digital event WRC Connected was launched attracting over 4,000 attendees. The subscription business of Retail Week continued to experience revenue declines driven by the weak underlying retail environment, which has been further impacted by the pandemic restrictions.

Alternative Data serves our financial services clients information delivered primarily through digital subscriptions. With the financial services industry proving robust in an otherwise turbulent year, this brand achieved over 50% revenue growth, increasing its customer base by c.40% and achieving value renewal rate in excess of 100%.

The businesses serving retail customers previously within the Digital Commerce business (Price & Promotion and Retail Insights products) experienced challenging trading in the year. The focus in 2021 is to leverage the existing strong retail relationships across the Retail & Financial Services business unit, driving growth back into these brands.

**Discontinued Operations - Built Environment & Policy Segment**

*The Built Environment & Policy Segment comprised the Groundsure, Glenigan and DeHavilland digital information products.*

| | Year ended 31 December (£'m) | | Growth (%) | | |
|---|---|---|---|---|---|
| | 2020 | 2019 | Reported | Organic | Proforma |
| Revenue | 37.4 | 35.9 | +4% | +1% | +1% |
| Adjusted EBITDA excluding stranded costs | 19.7 | 17.0 | +16% | +14% | +14% |
| Adjusted EBITDA Margin | 53% | 47% | | | |
| Adjusted EBITDA including stranded costs | 21.5 | 19.5 | | | |

The segment returned to good levels of growth overall in the second half of the year, led by the largest business, Groundsure, where we saw record levels of activity following the revival of the UK property market in May. Glenigan and DeHavilland both demonstrated more even progression in the year underpinned by solid subscription renewals, despite new business being impacted by lower activity in the UK construction industry and broader government policy, respectively.

All three brands in the segment were sold in the first quarter of 2021 and we are pleased to have found new owners for each of the Built Environment & Policy businesses who will continue to nurture their strong teams and potential. The sale of these businesses represents a significant moment in the realisation of our strategic goals, meaning we are now wholly focused on our core business areas that serve customers across digital marketplaces.

## FINANCIAL REVIEW

In 2020, we demonstrated delivery against our long-term strategic priorities and resilience against a challenging backdrop. Although revenue and profits declined due to the impact of Covid-19 restrictions on events, the Digital Commerce segment grew very strongly and Product Design was highly resilient.

**Overview**

The results for the year are set out in the consolidated statement of profit or loss and show, for continuing operations, revenue of £263.7m (2019: £380.3m) and an operating loss of £166.5m (2019: operating profit of £1.8m). The major charges creating the operating loss were revaluation of deferred consideration of £97.6m (2019: £33.1m), impairment of goodwill and intangibles in the retail business of £28.4m (2019: £nil) and annual amortisation of acquired intangibles of £33.7m (2019: £35.6m). These significant items are discussed in detail below.

Adjusted EBITDA was £28.5m (2019: £109.0m) reducing in large part due to the cancellation of our events in the year. We delivered solid cash flow performance in 2020 with free cash outflow from continuing operations after tax and capex of £0.7m (2019: inflow £73.4m), an operating cash flow conversion on continuing activities of 90% (2019: 86%).

A core KPI and strategic goal of the Company is Organic revenue growth rate. We believe that this is the most efficient method of growth, measures the underlying health of the business and is a key driver of shareholder value creation. Organic revenue growth rate eliminates the impact of acquisitions (counting them only once they have been owned for 12 months) and disposals and that element of growth which is driven by changes in foreign exchange rates. It is an Alternative Performance Measure and is discussed in more detail below. Proforma growth rate is measured in a similar way to Organic growth rate but assumes that the Group's acquisitions were all made on 1 January 2019 and is therefore a measure of the rate of growth of the brands owned today.

Adjusted EBITDA is also an Alternative Performance Measure and is used in the day-to-day management of the business to aid comparisons with peer companies, manage banking covenants and provide a reference point for assessing our operational cash generation. It eliminates items arising from portfolio investment and divestment decisions and from changes to capital structure. Such items arise from events which are non-recurring or intermittent, and while they may generate substantial income statement amounts, do not relate to the ongoing operational performance that underpins long-term value generation.

The results for the year are summarised in the table below.

| £'m | **2020** | 2019* | Growth rate | | |
|---|---|---|---|---|---|
| | | | Reported* | Organic | Proforma |
| Revenue | **263.7** | 380.3 | (30.7%) | (32.2%) | (31.1%) |
| Adjusted EBITDA | **28.5** | 109.0 | (73.8%) | (75.5%) | (73.0%) |
| Operating (loss) / profit | **(166.5)** | 1.8 | nm | nm | nm |

* Restated for discontinued operations (see Note 7).

**Segmental results**

In September 2020, a comprehensive reorganisation of Ascential into five new divisions was announced which resulted in a change in the way our operating results were regularly reported and reviewed. By December 2020 we had created and committed to plans to discontinue and dispose of the Built Environment & Policy segment which was subsequently achieved in three separate transactions announced in December 2020, January 2021 and February 2021. The Group therefore now has four continuing reportable segments namely Digital Commerce, Product Design, Marketing and Retail & Financial Services.

Information regarding the results of each is included below and is reconciled to statutory profit measures below.

| £'m | **Digital Commerce** | **Product Design** | **Marketing** | **Retail & Financial Services** | **Corporate costs** | **Continuing operations** |
|---|---|---|---|---|---|---|
| **2020** | | | | | | |
| **Revenue** | **103.1** | **88.1** | **54.3** | **18.2** | **-** | **263.7** |
| *Organic growth* | *23%* | *1%* | *(59%)* | *(77%)* | | *(32.2%)* |
| *Proforma growth* | *25%* | *1%* | *(59%)* | *(77%)* | | *(31.1%)* |
| **Adjusted EBITDA** | **22.9** | **38.0** | **(0.8)** | **(14.3)** | **(17.3)** | **28.5** |
| *Organic growth* | *75%* | *(6%)* | *(101%)* | *(157%)* | | *(75.5%)* |
| *Proforma growth* | *85%* | *(4%)* | *(101%)* | *(157%)* | | *(73.0%)* |
| *Adjusted EBITDA margin* | *22%* | *43%* | *nm* | *nm* | | *10.8%* |
| Depreciation and software amortisation | (6.3) | (4.7) | (6.1) | (2.3) | (3.1) | (22.5) |
| **Adjusted operating profit** | **16.6** | **33.3** | **(6.9)** | **(16.6)** | **(20.4)** | **6.0** |
| **2019*** | | | | | | |
| Revenue | 78.1 | 85.7 | 135.9 | 81.1 | (0.5) | 380.3 |
| Adjusted EBITDA | 12.3 | 38.2 | 50.7 | 25.1 | (17.3) | 109.0 |
| *Adjusted EBITDA margin* | *16%* | *45%* | *37%* | *31%* | | *28.7%* |
| Depreciation and software amortisation | (4.0) | (4.0) | (7.5) | (2.8) | (3.5) | (21.8) |
| Adjusted operating profit | 8.3 | 34.2 | 43.2 | 22.3 | (20.8) | 87.2 |

* Restated for new operating segments and discontinued operations (see Note 7).

**Revenue**

The Company benefits from diverse revenue streams across its segments ranging from digital subscriptions to live events to advisory. Most of these revenue streams have recurring or repeat characteristics and benefit from our focus on customer retention.

| | 2020<br>£'m | 2019*<br>£'m | Proforma Growth |
|---|---|---|---|
| Digital Subscriptions & Platforms | 95.6 | 72.0 | 25% |
| Advisory | 7.5 | 6.1 | 24% |
| **Digital Commerce** | **103.1** | **78.1** | **25%** |
| Digital Subscriptions & Platforms | 81.3 | 78.4 | 2% |
| Advisory | 6.8 | 7.3 | (9%) |
| **Product Design** | **88.1** | **85.7** | **1%** |
| Digital Subscriptions & Platforms | 17.0 | 15.8 | 8% |
| Advisory | 35.0 | 49.8 | (29%) |
| Benchmarking Awards | 1.0 | 29.2 | (97%) |
| Events | 1.3 | 41.1 | (97%) |
| **Marketing** | **54.3** | **135.9** | **(59%)** |
| Digital Subscriptions & Platforms | 14.3 | 14.8 | (3%) |
| Advisory | 2.2 | 2.2 | 2% |
| Events | 1.7 | 64.1 | (97%) |
| **Retail & Financial Services** | **18.2** | **81.1** | **(77%)** |
| Advisory | - | (0.1) | nm |
| Events | - | (0.4) | nm |
| **Intersegment Sales** | **-** | **(0.5)** | **nm** |
| | | | |
| **Digital Subscriptions & Platforms** | **208.2** | **181.0** | **11%** |
| **Advisory** | **51.5** | **65.3** | **(21%)** |
| **Benchmarking Awards** | **1.0** | **29.2** | **(97%)** |
| **Events** | **3.0** | **104.8** | **(97%)** |
| **Total** | **263.7** | **380.3** | **(31%)** |

* Restated for new operating segments and discontinued operations (see Note 7).

Digital Commerce is now our largest segment and revenues here grew very strongly by 25% with revenue from Product Design also robust. However, our overall revenues from continuing operations fell to £263.7m (2019: £380.3m), a decrease of £116.6m or 30.7% with £130.0m of the reduction driven by the impact of Covid-19 on our events in the Marketing and Retail & Financial Services segments. Adjusting for currency impacts and acquisitions, revenue declined by 32.2% and 31.1% on an Organic and Proforma basis respectively.

**Adjusted EBITDA**

The Covid-19 driven revenue reduction of £116.6m between 2019 and 2020 was accompanied by an intense focus on costs which consequently reduced by £36.1m compared to 2019 and by more than £50m against that planned for 2020. As a result, Adjusted EBITDA decreased by £80.5m to £28.5m (2019: £109.0m).

Adjusted EBITDA margin decreased from the prior year to 10.8% (2019: 28.7%). This reflects the loss of EBITDA in the Marketing and Retail & Financial Services segments while margins in the pure-play digital businesses remained stable and we continue to see the evidence of the superior margin opportunities in scaled, mature, digital subscription businesses like Product Design.

Adjusted EBITDA is reconciled to statutory operating profit as shown in the table below:

| £'m | **2020** | 2019* |
|---|---|---|
| Adjusted EBITDA | **28.5** | 109.0 |
| Depreciation and software amortisation | **(22.5)** | (21.8) |
| **Adjusted operating profit** | **6.0** | 87.2 |
| Amortisation | **(33.7)** | (35.6) |
| Exceptional items | **(140.4)** | (41.4) |
| Share-based payments | **1.6** | (8.4) |
| **Statutory operating (loss) / profit** | **(166.5)** | 1.8 |

* Restated for discontinued operations (See Note 7)

**Amortisation of acquired intangible assets**

The amortisation charge of £33.7m (2019: £35.6m) on acquired intangible assets decreased mainly due to the impact of fully amortised assets. The Company undertakes a periodic review of the carrying value of its intangible assets of £674.1m (2019: £760.7m) and an impairment of £28.4m has been recorded in Exceptional items.

**Exceptional items**

The charge for exceptional items in 2020 totalled £140.4m (2019: £41.4m) as set out in the table below.

| £'m | **2020** | 2019 |
|---|---|---|
| Deferred and contingent consideration | **97.6** | 33.1 |
| Impairment of Retail & Financial Services assets | **28.4** | - |
| Restructuring costs | **7.0** | - |
| Property impairments and onerous contracts | **4.8** | - |
| Acquisition and disposal transaction and integration costs | **2.6** | 8.3 |
| **Exceptional items relating to continuing operations** | **140.4** | 41.4 |

The charge for deferred and contingent consideration of £97.6m (2019: £33.1m) predominantly (£88.2m) represents the revaluation of the earnout liability on the acquisition of Flywheel Digital due to the significantly better than expected performance of this business in 2020 and forecast in 2021. This is in part driven by the accelerated end market for Digital Commerce arising from the Covid-19 pandemic. The remaining £9.4m of the charge relates to revaluation and acquisition-related contingent employment costs on the acquisitions of MediaLink, Yimian and Indigitous.

The Covid-19 pandemic has, on the other hand, exacerbated the long-standing difficulties faced by bricks and mortar retailers. This has impacted our Retail & Financial Services segment where we have recognised impairments of tangible and intangible assets totalling £28.4m (2019: £nil).

Restructuring costs represent the one-off expenses of redundancy programmes in the year to respond to the economic conditions and impacts from the Covid-19 pandemic whereby we reduced our headcount by almost 200 roles.

Property impairments and onerous contracts represent the re-evaluation of our property right of use assets and the provisioning for onerous charges in relation to a change in our employee working strategy. This has been driven primarily by the ability of our workforce to effectively work from home over the pandemic and the consequent lower future expected utilisation of our real estate and relates to offices expected to remain permanently closed.

Acquisition and disposal transaction and integration costs comprise fees and advisory services conducted in 2020 relating to the acquisitions of Indigitous, Intellibrand and X Target, as well as integration costs for Yimian and, in H1, Edge. Additionally, in respect of Discontinued operations, similar costs were incurred relating to the disposal of the Groundsure, Glenigan and DeHavilland businesses and the acquisition of Mining Searches UK.

**Share-based payments**

The credit for share-based payments of £1.6m (2019: £8.4m charge) incorporates the Share Incentive Plan, the SAYE and the Performance Share Plan. The reduction in the charge reflects revised expectations on the vesting of the Performance Share Plan awards due to the expected performance of the Group versus the non-market based target performance conditions (for example, the EPS performance condition for the 2018 and 2019 awards based on EPS growth to 2020 and 2021 respectively has not and is not expected to be met in either case because of the impacts of Covid-19).

As explained in the Alternative Performance Measures section, we treat share-based payments as an adjusting item because they are significant non-cash charges and credits driven by a valuation model that references Ascential's share price and so is subject to volatility rather than referencing current operational performance.

**Finance costs**

The Adjusted net finance cost for the year was £15.7m (2019: £10.3m) as set out in the table below:

| £'m | **2020** | 2019 |
|---|---|---|
| Interest payable on external borrowings | **(7.4)** | (6.8) |
| Interest receivable | **0.3** | 0.9 |
| Amortisation of loan arrangement fees | **(0.8)** | (1.1) |
| Discount unwind on deferred and contingent consideration | **(7.9)** | (5.5) |
| Discount unwind of lease liability | **(1.1)** | (1.3) |
| Discount unwind of property provisions | **(0.1)** | (0.1) |
| Fair value loss on derivative financial instruments | **(0.3)** | - |
| Net foreign exchange gain | **0.2** | 2.0 |
| Remeasurement of trade investments to fair value | **1.4** | 1.6 |
| **Adjusted net finance costs** | **(15.7)** | (10.3) |

The interest payable on the Group's borrowings was £7.4m (2019: £6.8m) with the increase due to the higher levels of cash and debt held in the first half of the year to assure liquidity in the early days of the Covid-19 pandemic.

The increase in the unwind of the discount on deferred and contingent consideration totalling £7.9m (2019: £5.5m) was driven by the significant revaluation adjustment made in respect of Flywheel Digital.

Amortisation of loan arrangement fees relates to the unwind of fees capitalised in respect of the new five-year multi-currency revolving credit facility ("RCF") of £450m which was taken out in January 2020 (see Liquidity section below for further details).

In addition to the Adjusted net finance costs set out and described above, we have also included in Adjusting items a charge of £1.9m in respect of the write-off of unamortised arrangement fees upon early refinancing of our 2016 debt facilities in January 2020 and the subsequent covenant amendments agreed in April 2020.

**Taxation**

A tax credit of £1.5m (2019: charge of £17.1m) was incurred on continuing Adjusted loss before tax of £9.9m (2019: profit before tax of £77.8m) resulting in an Adjusted effective tax rate for the year of 15.2% (2019: 22.0%) which compares to the effective tax rate of 19.2% on reported losses as can be seen in the table below.

| Analysis of tax charge (£'m) | **2020** | 2019 |
|---|---|---|
| Adjusted (loss) / profit before tax | **(9.9)** | 77.8 |
| Tax credit / (charge) on Adjusted (loss) / profit before tax | **1.5** | (17.1) |
| Effective tax rate (%) | **15.2%** | 22.0% |
| | | |
| Adjusting items | **(174.4)** | (85.7) |
| Tax credit on Adjusting items | **33.9** | 18.5 |
| Effective tax rate on Adjusting items | **19.4%** | 21.6% |
| | | |
| Reported loss before tax | **(184.3)** | (7.9) |
| Tax credit on reported loss before tax | **35.4** | 1.4 |
| Effective tax rate on reported loss before tax | **19.2%** | (17.7%) |

Cash tax paid was £3.3m (2019: £3.2m) reflecting taxes paid in the UK, where instalment payments were due for the prior year, as well as taxes paid outside of the UK in respect of the current year. Due to current year losses, the Group did not benefit this year (2019: £4.5m) from the utilisation of historic tax losses in the UK and US. However, these are expected to continue to benefit the Group's cash flow over the medium term.

The Group has a total recognised net deferred tax asset of £50.4m (2019: £19.8m) relating to UK and US losses, accelerated capital allowances, US acquired intangibles, and deferred and contingent consideration offset by deferred tax on non-deductible acquired intangibles.

Going forward we expect our effective tax rate to be between 25% and 26% with the potential to increase if US Federal tax rates are increased above 21% and the recently announced increase to UK Corporation tax to 25% in 2023 is enacted.

**Discontinued operations**

As part of its focus of resources and investment on its strategic priorities, the Group's non-core segment of Built Environment & Policy has been classified as held for sale in accordance with IFRS 5. The sale of Glenigan was announced in December 2020 and the sales of Groundsure and DeHavilland were confirmed in early 2021.

The results of the discontinued Built Environment & Policy segment are included as a single line items within Profit After Tax but can be summarised as follows:

| £'m | **2020** | 2019 |
|---|---|---|
| Revenue | **37.4** | 35.9 |
| Adjusted EBITDA | **21.5** | 19.5 |
| Depreciation and amortisation | **(1.1)** | (1.1) |
| Exceptional items (including disposal costs) | **(3.0)** | (0.2) |
| Share based payments | **-** | (0.1) |
| Profit before tax | **17.4** | 18.1 |
| Tax | **(3.9)** | (3.5) |
| Profit after tax | **13.5** | 14.6 |

**Foreign currency translation impact**

The Group's reported performance is sensitive to movements in both the Euro and US Dollar against pounds Sterling with significant historical acquisitions denominated in US Dollars and events revenues in Euro and US Dollars. For most of 2020, Sterling was in line with the 2019 average Euro and US Dollar exchange rates but strengthened in December as a result of Brexit finalisation as can be seen in the table below:

| | **Weighted average rate** | | | **Year-end rate** | | |
|---|---|---|---|---|---|---|
| Currency | **2020** | 2019 | Change | **2020** | 2019 | Change |
| Euro | **1.13** | 1.12 | 0.7% | **1.12** | 1.18 | (5.3%) |
| US Dollar | **1.29** | 1.28 | 0.8% | **1.36** | 1.32 | 3.2% |

For illustrative purposes, the table below provides details of the impact on revenue and Adjusted EBITDA if the reported results were restated for Sterling weakening by 1% against the US Dollar and Euro in isolation.

| £'m | **2020 Revenue** | **2020 Adjusted EBITDA** | 2019 Revenue | 2019 Adjusted EBITDA |
|---|---|---|---|---|
| Increase in revenue/ Adjusted EBITDA if: | | | | |
| Sterling weakens by 1% against USD in isolation | **1.6** | **0.5** | 1.9 | 0.8 |
| Sterling weakens by 1% against EUR in isolation | **0.3** | **0.2** | 1.2 | 0.8 |

Furthermore, each 1% movement in the Euro to pounds Sterling exchange rate has a £1.5m (2019: £1.5m) impact on the carrying value of borrowings. Each 1% movement in the US Dollar has a circa £0.9m impact on the carrying value of borrowings (2019: £0.7m).

**Earnings per share**
Total diluted loss per share was 34.0p (2019: earnings of 2.0p).

Total Adjusted diluted earnings per share was 1.9p (2019: 18.8p) with the reduction predominantly due to the cancellation of events in light of the Covid-19 pandemic. Continuing Adjusted diluted loss per share was 2.3p per share (2019: earnings of 15.1p per share).

**Acquisitions and disposals**
We regularly assess opportunities to acquire high-growth products and capabilities to serve our key end markets of Digital Commerce, Product Design and Marketing. In 2020 we incurred initial cash consideration of £19.5m, comprising £16.8m on investments and £2.7m on the acquisition of businesses (net of cash acquired).

***Jumpshot***
In January 2020, the Group sold its investment in Jumpshot back to Avast plc for cash consideration equivalent to the cost of investment.

***Mining Searches UK***
In January 2020, the Group acquired 100% of the Cornwall Mining Services Limited ("Mining Searches UK"), a specialist data provider in the mining industry to augment its offering in the Built Environment & Policy segment. The Group paid cash consideration of £1.7m upfront and consolidated £0.5m of cash on acquisition, resulting in a net £1.2m cash outflow. There was, in addition, deferred consideration of £0.9m, of which £0.6m was paid late in 2020 and the remaining £0.3m is due to be paid in 2022. Mining Searches UK, including the deferred consideration outstanding, is presented within the liabilities of the Built Environment & Policy disposal group held for sale as at 31 December 2020 and was subsequently sold as part of the Groundsure disposal in January 2021.

***Indigitous***
In February 2020, the Group purchased 100% of Indigitous, LLC ("Indigitous") for initial cash consideration of £1.5m. Indigitous is an Amazon-focused managed service provider based in Seattle specialising in the active lifestyle category and has been integrated into Flywheel Digital in our Digital Commerce Segment. Earnout consideration is payable in cash contingent on the performance of the business for the financial years 2020 to 2022, payable in 2021 to 2023, with a minimum consideration of $250,000 per year, with total consideration capped at $10m. Half of the earnout is additionally linked to the ongoing employment of the founders.

***Hudson***
Hudson MX is a software business providing media buying and media accounting solutions through a cloud-based SaaS platform. In 2019, we invested £8.0m for a minor equity interest and in 2020 we made a further £14.6m investment - £0.5m in further equity and £14.1m advanced as convertible loans. Following an agreement reached in January 2021, we have the right to make further investments in Hudson in 2021 as well as the ability to buy out other shareholders for a specified price up to January 2022. Hudson was accounted for as a trade investment in 2020.

***Acquisitions after the year end***
In December 2020, the Group announced that it had agreed to acquire Hangzhou Duozhun Data Technology Co. Ltd. ("X Target"). X Target specialises in media trading execution and provides similar capabilities for China as our Flywheel Digital brand does for Western eCommerce platforms. This acquisition is for an initial cash consideration of £11.9m, plus earnout payments payable over three years resulting in an estimated total consideration (including

the initial consideration) of between £29m and £35m. The total consideration payable for the company, in the event that maximum targets are reached, is capped at £55m. The acquisition was completed on 26 February 2021.

Also in December 2020, the Group agreed to acquire Intellibrand, based in Brazil, which provides eCommerce analytics solutions for brands across Latin America. The acquisition is for an initial cash consideration of £4.6m with a further £2.4m of earnout payments payable over three years resulting in an estimated total consideration of £7m. The acquisition completed on 15 January 2021.

***Disposal of Built Environment & Policy businesses***

On 15 December 2020, the Group entered into an agreement to sell Glenigan to Byggfakta Group for £72.9m in cash. Following regulatory clearance required by the buyer, the sale is expected to complete on 17 March 2021. On 20 January 2021, the Group sold Groundsure to a subsidiary of ATI Global Limited for a purchase price of £170m comprising an initial cash consideration of £140m (subject to customary closing adjustments) plus a £30m interest-bearing vendor loan note repayable on or prior to 31 December 2023. On 12 February 2021, the Group sold DeHavilland to the alternative asset management group Bridgepoint for £15m in cash.

**Deferred consideration**

In order to reduce the risk inherent in acquisitions, the Company's preferred structure for M&A is to enter into long-term earnout arrangements with the founders of acquired companies and to link this to both the post-acquisition performance of the acquired company and the continuing employment of the founders. Accounting for the earnout is complex and requires considerable judgements to be made about the expected future performance of the acquired company at the point of acquisition – this is especially difficult in the type of high growth, early stage companies that Ascential acquires. The earnout is accounted for in three ways:

1. A liability for deferred consideration is established on the balance sheet at the point of acquisition based on that element of the earnout which is not dependent on the continuing employment of the founders. This amounted to £136.2m at December 2020 (2019: £103.2m). Any change in estimate is recorded as an exceptional item and in 2020 we recorded a charge of £64.1m (2019: £13.0m) driven by the outperformance of Flywheel Digital in the year.

2. This liability is discounted to present value with the reversal of this discount being recorded as Other finance costs within the interest charge. This amounted to a charge of £7.9m in 2020 (2019: £5.5m).

3. Finally, that element of the deferred consideration that is contingent on the continuing employment of the founders is charged to the consolidated statement of profit or loss as an exceptional item over the service life of those founders (typically three years). This amounted to a charge of £33.5m in 2020 (2019: £20.1m).

In total, contingent on the future performance of Flywheel, Yimian, MediaLink, Intellibrand and X Target, the Company expects to pay out contingent consideration for acquisitions to date of:

- c.£122m in 2021;
- c.£30m in 2022; and
- c.£20m thereafter.

**Cash flow**

***Continuing operations***

The Company generated Adjusted operating cash flow from continuing operations of £25.7m (2019: £94.2m), being a 90% operating cash flow conversion (2019: 86%) with the positive impact of the deferral of pre-booked revenue for Cannes Lions 2020 into 2021 offset by refunds on Money20/20 and the adverse working capital impact of the very high growth of the Flywheel Digital business.

After continued investment in product development in our digital subscription products, internal productivity tools and property in Shenzhen and Shanghai, capex remained broadly consistent with the prior year at £23.1m (2019: £17.6m).

As a result, the Company consumed free cash flow on continuing operations of £0.7m (2019: generated £73.4m) as shown in the table below:

| £'m | **2020** | 2019 |
|---|---|---|
| Adjusted EBITDA | **28.5** | 109.0 |
| Working capital movements – Flywheel Digital media reimbursables | **(7.3)** | (5.8) |
| Working capital movements - other | **4.5** | (9.0) |
| **Adjusted operating cash flow from continuing operations** | **25.7** | 94.2 |
| Operating cash flow conversion (%) | **90%** | 86% |
| Capital expenditure | **(23.1)** | (17.6) |
| Tax paid | **(3.3)** | (3.2) |
| **Free cash flow from continuing operations** | **(0.7)** | 73.4 |
| Free cash flow conversion (%) | **(3%)** | 67% |

***Discontinued operations***

The Company generated adjusted operating cash flow from discontinued operations of £20.9m (2019: £19.0).

| £'m | **2020** | 2019 |
|---|---|---|
| Adjusted EBITDA | **21.5** | 19.5 |
| Working capital movements | **(0.6)** | (0.5) |
| **Adjusted operating cash flow from discontinued operations** | **20.9** | 19.0 |
| Operating cash flow conversion (%) | **97%** | 97% |
| Capital expenditure | **(0.9)** | (0.9) |
| Tax paid | **-** | - |
| **Free cash flow from discontinued operations** | **20.0** | 18.1 |
| Free cash flow conversion (%) | **93%** | 93% |

***Total operations***

The cash flow statement and net debt position are summarised as follows:

| £'m | **2020** | 2019 |
|---|---|---|
| Free cash flow from continuing operations | **(0.7)** | 73.4 |
| Free cash flow from discontinued operations | **20.0** | 18.1 |
| **Free cash flow from total operations** | **19.3** | 91.5 |
| Acquisition of investments | **(16.8)** | (64.5) |
| Disposal of investments | **55.1** | - |
| Acquisition of businesses net of cash acquired | **(2.7)** | (16.8) |
| Deferred and contingent consideration paid (including contingent employment cost) | **(69.1)** | (31.8) |
| Exceptional costs paid | **(12.4)** | (11.3) |
| Disposal costs paid | **-** | (2.3) |
| **Cash flow before financing activities** | **(26.6)** | (35.2) |
| Net proceeds from borrowings | **25.7** | - |
| Net interest paid | **(12.0)** | (6.2) |
| Dividends paid | **-** | (22.9) |
| Lease liabilities paid | **(8.9)** | (9.0) |
| Proceeds of issue or sale of shares | **1.3** | 1.2 |
| Share repurchase | **(9.2)** | - |
| **Net cash flow** | **(29.7)** | (72.1) |
| **Opening cash balance** | **111.7** | 182.0 |
| FX movements | **(1.8)** | 1.8 |
| **Closing cash balance** | **80.2** | 111.7 |
| Borrowings | **(312.7)** | (283.8) |
| Capitalised arrangement fees | **3.2** | 1.2 |
| Derivative financial instruments | **-** | 0.3 |
| **Net debt*** | **(229.3)** | (170.6) |

*Including £2.0m of cash held for sale as part of the discontinued BEP segment.

**Returns to shareholders**

***Dividends***

The Board normally targets a dividend pay-out ratio of 30% of Adjusted profit after tax split one-third following interim results and two-thirds following final results. However, as a result of the Covid-19 pandemic, the ensuing cancellation of the Cannes Lions festival and Money20/20 Europe and USA and the consequent impact on profits and debt covenants, as well as the impact of the resultant cost reduction measures, the Board suspended dividends and decided not to declare the previously announced final dividend for 2019. Having considered its capital allocation priorities and the uncertain economic environment, the Board has decided not to pay a dividend in respect of 2020. The Board will keep shareholder cash returns continually under review.

***Share repurchase programme***

At the start of the year, after consistently strong levels of cash flow conversion, combined with disciplined capital allocation, and following the sale of the Jumpshot investment in January 2020, our leverage was well below historic levels. We recognise that the delivery of shareholder value requires a balanced approach to investing in growth and returning excess capital to shareholders whilst maintaining a strong balance sheet. After a review of our capital allocation policy, the Board decided to utilise part of its authority to make on market purchases of our ordinary shares. We originally anticipated spending up to £120m in a share repurchase programme but suspended this in March 2020, having repurchased shares worth £9.2m, as the impact of the Covid-19 pandemic on our financial performance became clear. The Board will keep shareholder cash returns continually under review.

**Strong balance sheet and access to liquidity**

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt to equity balance. The capital structure of the Group consists of debt, cash and cash equivalents and equity attributable to equity holders of the parent comprising capital, reserves and retained earnings. The Group's policy is to borrow centrally to meet anticipated funding requirements. These borrowings, together with cash generated from the operations, are on-lent at market-based interest rates and on commercial terms and conditions or contributed as equity to subsidiaries.

In January 2020, we entered into a new 5-year multi-currency revolving credit facility ("RCF") of £450m with an accordion to raise further debt amounts up to the greater of £120m or 150% of EBITDA. The previous term loan and RCF facilities were repaid and cancelled in January 2020. At 31 December 2020, the borrowings under the new facility were subject to interest at 2.5% over LIBOR and £312.7m of the RCF had been drawn.

The facility covenants include a maximum net leverage of 3.25x with the benefit of an additional 0.5x leverage spikes for relevant acquisitions and a minimum interest cover of 3.00x and are tested semi-annually. To address the uncertain business environment, deal with temporarily elevated leverage and ensure maximum flexibility in the medium term, across a broad range of business planning scenarios, we agreed the following covenant amendments with our banking group (subject to minimum liquidity of £100m at December 2020 and £125m thereafter):

- At the December 2020 testing point – a full waiver of the leverage and interest cover covenants.
- At the June 2021 testing point – the leverage covenant ratio limit has been relaxed to 4.75x.
- At the December 2021 testing point – the leverage covenant ratio limit has been relaxed to between 3.50x and 4.50x depending on the scale of profits from live events in 2021.
- At the June 2022 testing point – if either Money20/20 Europe or USA do not take place in 2021, the leverage covenant limit at June 2022 will be 3.75x.

At the December 2020 testing point, the minimum liquidity requirements have been met with £217.5m of available liquidity.

**Risk management**

The Board is responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives. Ascential's business activities, performance and position, together with the factors likely to affect its future development, are set out in the Annual Report. The financial risk management objectives, policies and processes in place for assessment, management and monitoring of risks, including the risks resulting from Brexit and Covid-19, are also described in the Annual Report.

The Group is exposed to risks arising from the international nature of its operations and the financial instruments which fund them. These instruments include cash and borrowing and items such as trade receivables and trade payables which arise directly from operations. External borrowings are denominated 46% in Euros with the balance split between US Dollars (28%) and pounds Sterling (26%). The Company reviews and protects a proportion of its exposure to interest rate rises on the cost of borrowings through use of derivatives such as interest rate caps where appropriate.

**Going concern**

There continues to be uncertainty surrounding the resolution of the Covid-19 outbreak and the impact to the wider global economy. The Directors have considered a number of severe but plausible scenarios and taken into account the strong condition of our balance sheet, our 2020 refinancing, the recent disposal of the Built Environment & Policy segment, the diversification and digital nature of many of our business models and proactive steps taken already to provide covenant headroom and adjust our cost base as well as further potential mitigating actions.

The Directors believe that the Company is well placed to manage its business risks successfully and have assessed the Group's prospects and viability over a three-year period.

The Board's assessment of the Group's prospects and stress test scenarios, together with its review of principal risks and the effectiveness of risk management procedures, show that the Group has adequate resources to continue in operational existence for the foreseeable future, including the period exceeding 12 months from the date when the financial statements are approved. Accordingly, the Directors continue to adopt the going concern basis for the preparation of the financial statements.

## ALTERNATIVE PERFORMANCE MEASURES

Ascential aims to maximise shareholder value by optimising potential for return on capital through strategic investment and divestment, by ensuring the Company's capital structure is managed to support both strategic and operational requirements, and by delivering returns through a focus on organic growth and operational discipline. The Board considers it helpful to provide, where practicable, performance measures that distinguish between these different factors – these are also the measures that the Board uses to assess the performance of the Company, on which the strategic planning process is founded and on which management incentives are based. Accordingly, this report presents the following non-GAAP measures alongside standard accounting terms as prescribed by IFRS and the Companies Act, in order to provide this useful additional information.

***Adjusted profit measures***

The Group uses Adjusted profit measures to assist readers in understanding underlying operational performance from continuing operations. These measures exclude income statement items relating to items arising from portfolio investment and divestment decisions, and from changes to capital structure. Such items arise from events which are non-recurring or intermittent, and while they may generate substantial income statement amounts, do not relate to the ongoing operational performance that underpins long-term value generation. The income statement items that are excluded from Adjusted profit measures are referred to as Adjusting items.

Both Adjusted profit measures and Adjusting items are presented together with statutory measures on the face of the profit and loss statement. In addition, the Group presents a non-GAAP profit measure, Adjusted EBITDA, in order to aid comparisons with peer group companies and provide a reference point for assessing the operational cash generation of the Group. Adjusted EBITDA is defined as Adjusted Operating Profit before depreciation and amortisation. The Group measures operational profit margins with reference to Adjusted EBITDA.

Adjusting items are not a defined term under IFRS, so may not be comparable to similar terminology used in other companies' financial statements. Details of the charges and credits presented as Adjusting items are set out in Note 4 to the financial statements. The basis for treating these items as Adjusting is as follows:

*Exceptional items*

Exceptional items are recorded in accordance with the Group's policy set out in Note 4 to the financial statements. They arise from portfolio investment and divestment decisions, from changes to the Group's capital structure, as well as material events that are expected to be non-recurring and outside the course of ordinary operating activities. They do not reflect underlying operational performance.

*Amortisation of intangible assets acquired through business combinations*

Charges for amortisation of acquired intangibles arise from the purchase consideration of a number of separate acquisitions. These acquisitions are portfolio investment decisions that took place at different times over many years, so the associated amortisation does not reflect current operational performance.

*Share-based payments*

Ascential operates several employee share schemes. Income statement charges or credits relating to such schemes are a significant non-cash charge or credit and are driven by a valuation model which references the Ascential share price and future performance expectations. The income statement charge or credit is consequently subject to volatility and does not fully reflect current operational performance.

*Gains and losses on disposal*

Gains and losses on disposal of businesses arise from divestment decisions that are part of strategic portfolio management and do not reflect current operational performance.

*Finance costs*

As part of the Group's early refinancing of its 2016 debt facility in 2020, unamortised arrangement fees relating to the previous facility were written off and fees for subsequent covenant amendments were incurred. These one-off items do not reflect the current operational performance of the Group.

*Tax related to Adjusting items*

The elements of the overall Group tax charge relating to the Adjusting items are also treated as Adjusting. These elements of the tax charge are calculated with reference to the specific tax treatment of each Adjusting item, taking into account its tax deductibility, the tax jurisdiction concerned, and any previously recognised tax assets or liabilities.

***Adjusted cash flow measures***

The Group uses Adjusted cash flow measures for the same purpose as Adjusted profit measures, in order to assist readers of the accounts in understanding the ongoing operational performance of the Group from continuing operations. The two measures used are Adjusted Cash Generated from operations, and Free Cash Flow. These are reconciled to IFRS measures as follows:

| **£'m** | **2020** | 2019 |
|---|---|---|
| Cash generated from operations | 11.1 | 90.4 |
| Less: cash generated from discontinued operations | (19.8) | (19.0) |
| Add back: acquisition-related contingent consideration cash flow | 23.1 | 11.5 |
| Add back: other exceptional cash flow | 11.3 | 11.3 |
| **Adjusted cash generated from operations** | **25.7** | 94.2 |
| | | |
| Net cash generated from operating activities | 7.8 | 87.2 |
| Less: cash generated from discontinued operations | (19.8) | (19.0) |
| Less: capital expenditure | (23.1) | (17.6) |
| Add back: acquisition-related contingent consideration cash flow | 23.1 | 11.5 |
| Add back: other exceptional cash flow | 11.3 | 11.3 |
| **Free cash flow** | **(0.7)** | 73.4 |
| | | |
| Adjusted cash generated from operations | 25.7 | 94.2 |
| Adjusted EBITDA | 28.5 | 109.0 |
| **Operating cash conversion (%)** | **90%** | 86% |
| | | |
| Free cash flow | (0.7) | 73.4 |
| Adjusted EBITDA | 28.5 | 109.0 |
| **Free cash flow conversion (%)** | **(3%)** | 67% |

The Group monitors its operational efficiency with reference to operational cash conversion, defined as Free Cash Flow as a percentage of Adjusted EBITDA.

**Organic growth measures**

To assess whether the Company is achieving its strategic goal of driving organic growth, it is helpful to compare like-for-like operational results between periods. Income statement measures, both Adjusted and Reported, can be significantly affected by the following factors which mask like-for-like comparability:

- acquisitions and disposals of businesses lead to a lack of comparability between periods due to consolidation of only part of a year's results for these businesses;
- changes in exchange rates used to record the results of non-sterling businesses result in a lack of comparability between periods as equivalent local currency amounts are recorded at different sterling amounts in different periods; and
- event timing differences between periods.

Ascential therefore defines Organic growth measures, which are calculated with the following adjustments:

- results of acquired and disposed businesses are excluded where the consolidated results include only part-year results in either the current or the prior year;
- prior year and current year consolidated results are restated at constant exchange rates for non-sterling businesses; and
- prior year results are adjusted such that comparative results of events that have been held at different times of year are included in the same period as the current year results.

Organic growth is calculated as follows:

| 2020<br>£'m | Digital Commerce | Product Design | Marketing | Retail & Financial Services | Corporate Costs | Total – continuing operations |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| 2020 - reported | 103.1 | 88.1 | 54.3 | 18.2 | - | **263.7** |
| *Exclude acquisitions* | *(5.0)* | *(3.0)* | - | - | - | *(8.0)* |
| 2020 – Organic basis | 98.1 | 85.1 | 54.3 | 18.2 | - | **255.7** |
| *Organic revenue growth* | *23%* | *1%* | *(59%)* | *(77%)* | - | *(32.2%)* |
| | | | | | | |
| *2019 – as restated* | *78.1* | *85.7* | *135.9* | *81.1* | *(0.5)* | *380.3* |
| *Include acquisitions* | *2.1* | - | - | - | - | *2.1* |
| *Currency adjustment* | *(0.5)* | *(1.2)* | *(2.0)* | *(0.7)* | - | *(4.4)* |
| *2019 – Organic basis* | *79.7* | *84.5* | *133.9* | *80.4* | *(0.5)* | *378.0* |
| | | | | | | |
| **Adjusted EBITDA** | | | | | | |
| 2020 – reported | 22.9 | 38.0 | (0.8) | (14.3) | (17.3) | **28.5** |
| *Exclude acquisitions* | *(1.3)* | *(1.6)* | - | - | - | *(2.9)* |
| 2020 – Organic basis | 21.6 | 36.4 | (0.8) | (14.3) | (17.3) | **25.6** |
| *Organic EBITDA growth* | *75%* | *(6%)* | *(101%)* | *(157%)* | *2%* | *(75.5%)* |
| | | | | | | |
| *2019 – as restated* | *12.3* | *38.2* | *50.7* | *25.1* | *(17.3)* | *109.0* |
| *Include acquisitions* | *0.4* | - | - | - | - | *0.4* |
| *Currency adjustment* | *(0.3)* | *0.3* | *(1.3)* | *(0.1)* | *0.5* | *(0.9)* |
| *2019 – Organic basis* | *12.4* | *38.5* | *49.4* | *25.0* | *(16.8)* | *108.5* |

**Proforma growth measures**

Proforma growth is measured in a similar way to Organic growth but assumes that the Company's acquisitions or disposals were all made on the first day of the comparative accounting period and is a measure of the rate of growth of the brands owned today. Proforma growth is calculated as follows:

| **2020 £'m** | **Digital Commerce** | **Product Design** | **Marketing** | **Retail & Financial Services** | **Corporate Costs** | **Total** |
|---|---|---|---|---|---|---|
| **Revenue** | | | | | | |
| 2020 - reported | 103.1 | 88.1 | 54.3 | 18.2 | - | **263.7** |
| *Include acquisitions* | 0.4 | - | - | - | - | 0.4 |
| 2020 – Proforma basis | 103.5 | 88.1 | 54.3 | 18.2 | - | **264.1** |
| *Proforma revenue growth* | *25%* | *1%* | *(59%)* | *(77%)* | - | *(31.1%)* |
| | | | | | | |
| *2019 – as restated* | *78.1* | *85.7* | *135.9* | *81.1* | *(0.5)* | *380.3* |
| *Include acquisitions* | *5.4* | *3.0* | - | - | - | *8.4* |
| *Currency adjustment* | *(0.5)* | *(1.3)* | *(2.0)* | *(0.7)* | - | *(4.5)* |
| *2019 – Proforma basis* | *83.0* | *87.4* | *133.9* | *80.4* | *(0.5)* | *384.2* |
| | | | | | | |
| **Adjusted EBITDA** | | | | | | |
| 2020 – reported | 22.9 | 38.0 | (0.8) | (14.3) | (17.3) | **28.5** |
| *Include acquisitions* | 0.1 | - | - | - | - | 0.1 |
| 2020 – Proforma basis | 23.0 | 38.0 | (0.8) | (14.3) | (17.3) | **28.6** |
| *Proforma EBITDA growth* | *85%* | *(4%)* | *(101%)* | *(157%)* | *2%* | *(73.0%)* |
| | | | | | | |
| *2019 – as restated* | *12.3* | *38.2* | *50.7* | *25.1* | *(17.3)* | *109.0* |
| *Include acquisitions* | *0.4* | *1.1* | - | - | - | *1.5* |
| *Currency adjustment* | *(0.3)* | *0.4* | *(1.3)* | *(0.1)* | *0.5* | *(0.8)* |
| *2019 – Proforma basis* | *12.4* | *39.7* | *49.4* | *25.0* | *(16.8)* | *109.7* |

**Glossary of alternative performance measures**

| **Term** | **Description** |
|---|---|
| Organic revenue growth | Revenue growth on a like-for-like basis |
| Organic EBITDA growth | Adjusted EBITDA growth on a like-for-like basis |
| Proforma revenue growth | Revenue growth on a like-for-like basis assuming the Company's acquisitions or disposals were all made on the first day of the comparative accounting period |
| Proforma EBITDA growth | Adjusted EBITDA growth on a like-for-like basis assuming the Company's acquisitions or disposals were all made on the first day of the comparative accounting period |
| Exceptional items | Items within Operating profit / (loss) separately identified in accordance with Group accounting policies as set out in the Group's Annual Report and Accounts for the year ended 31 December 2020 and in Note 4 to this preliminary announcement |
| Adjusting items | Exceptional items, Amortisation of intangible assets acquired through business combinations, Share-based payments, Gains and losses on disposal, Write-off of unamortised arrangement fees on re-financing, Covenant amendment fees and Tax related thereto |
| Adjusted operating profit / (loss) | Operating profit / (loss) excluding Adjusting items |
| Adjusted EBITDA | Adjusted operating profit / (loss) excluding depreciation and amortisation |
| Adjusted EBITDA margin | Adjusted EBITDA as a percentage of Revenue |
| Adjusted profit / (loss) before tax | Profit / (loss) before tax excluding Adjusting items |
| Adjusted tax charge | Tax charge excluding Adjusting items |
| Adjusted effective tax rate | Adjusted tax charge expressed as a percentage of Adjusted profit before tax |
| Adjusted EPS | EPS calculated with reference to Adjusted Profit / (loss) for the period |
| Adjusted cash generated from operations | Cash generated from operations with cash generated from discontinued operations, acquisition related contingent consideration and other exceptional cash flows excluded |
| Operating cash conversion | Adjusted cash generated from operations expressed as a percentage of Adjusted EBITDA |
| Free cash flow | Net cash generated from operating activities including capital expenditure. Net cash generated from discontinued operations, acquisition-related contingent consideration and other exceptional cash flow are excluded |
| Leverage | The ratio of Net debt to Adjusted EBITDA before, in both cases, accounting for the impact of IFRS 16 |
| Net debt | Net debt comprises external borrowings net of arrangement fees, cash and cash equivalents and derivative financial instruments.  Net debt excludes lease liabilities |

# Consolidated Statement of Profit or Loss

**For the year ended 31 December 2020**

| | | 2020 | | | Restated* 2019 | | |
|---|---|---|---|---|---|---|---|
| **(£ million)** | Note | **Adjusted results** | **Adjusting items** | **Total** | Adjusted results | Adjusting items | Total |
| **Continuing operations** | | | | | | | |
| Revenue | 3 | **263.7** | **-** | **263.7** | 380.3 | - | 380.3 |
| Cost of sales | | **(106.6)** | **-** | **(106.6)** | (143.4) | - | (143.4) |
| Sales, marketing and administrative expenses | | **(151.1)** | **(172.5)** | **(323.6)** | (149.7) | (85.4) | (235.1) |
| **Operating profit / (loss)** | | **6.0** | **(172.5)** | **(166.5)** | 87.2 | (85.4) | 1.8 |
| Adjusted EBITDA | 3 | **28.5** | **-** | **28.5** | 109.0 | - | 109.0 |
| Depreciation and amortisation | 3 | **(22.5)** | **(33.7)** | **(56.2)** | (21.8) | (35.6) | (57.4) |
| Exceptional items | 4 | **-** | **(140.4)** | **(140.4)** | - | (41.4) | (41.4) |
| Share-based payments | | **-** | **1.6** | **1.6** | - | (8.4) | (8.4) |
| **Operating profit / (loss)** | | **6.0** | **(172.5)** | **(166.5)** | 87.2 | (85.4) | 1.8 |
| Share of the (loss) / profit of joint ventures and associates | | **(0.2)** | **-** | **(0.2)** | 0.9 | (0.3) | 0.6 |
| Finance costs | 5 | **(17.6)** | **(1.9)** | **(19.5)** | (14.8) | - | (14.8) |
| Finance income | 5 | **1.9** | **-** | **1.9** | 4.5 | - | 4.5 |
| **(Loss) / profit before taxation** | | **(9.9)** | **(174.4)** | **(184.3)** | 77.8 | (85.7) | (7.9) |
| Taxation | 6 | **1.5** | **33.9** | **35.4** | (17.1) | 18.5 | 1.4 |
| **(Loss) / profit from continuing operations** | | **(8.4)** | **(140.5)** | **(148.9)** | 60.7 | (67.2) | (6.5) |
| **Discontinued operations** | | | | | | | |
| Profit / (loss) from discontinued operations, net of tax | 7 | **16.7** | **(3.2)** | **13.5** | 15.1 | (0.5) | 14.6 |
| **Profit / (loss) for the year** | | **8.3** | **(143.7)** | **(135.4)** | 75.8 | (67.7) | 8.1 |
| **Profit / (loss) attributable to:** | | | | | | | |
| Owners of the Company | | **7.6** | **(143.7)** | **(136.1)** | 75.6 | (67.7) | 7.9 |
| Non-controlling interest | | **0.7** | **-** | **0.7** | 0.2 | - | 0.2 |
| **Earnings / (loss) per share (pence)** | | | | | | | |
| *Continuing operations* | | | | | | | |
| - Basic | 8 | **(2.3)** | **(35.0)** | **(37.3)** | 15.1 | (16.7) | (1.6) |
| - Diluted | 8 | **(2.3)** | **(35.0)** | **(37.3)** | 15.1 | (16.7) | (1.6) |
| *Discontinued operations* | | | | | | | |
| -Basic | 8 | **4.2** | **(0.9)** | **3.3** | 3.7 | (0.1) | 3.6 |
| -Diluted | 8 | **4.2** | **(0.9)** | **3.3** | 3.7 | (0.1) | 3.6 |
| *Total* | | | | | | | |
| -Basic | 8 | **1.9** | **(35.9)** | **(34.0)** | 18.8 | (16.8) | 2.0 |
| -Diluted | 8 | **1.9** | **(35.9)** | **(34.0)** | 18.8 | (16.8) | 2.0 |

*Restated for discontinued operations (see Note 7)

# Consolidated Statement of Other Comprehensive Income

**For the year ended 31 December 2020**

| | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| **(£ million)** | Adjusted results | Adjusting items | Total | Adjusted results | Adjusting items | Total |
| (Loss) / profit for the from year continuing operations | **(8.4)** | **(140.5)** | **(148.9)** | 60.7 | (67.2) | (6.5) |
| Profit / (loss) for the year from discontinued operations | **16.7** | **(3.2)** | **13.5** | 15.1 | (0.5) | 14.6 |
| **Profit / (loss) for the year** | **8.3** | **(143.7)** | **(135.4)** | 75.8 | (67.7) | 8.1 |
| | | | | | | |
| **Other comprehensive expense** | | | | | | |
| ***Items that may be reclassified subsequently to profit or loss:*** | | | | | | |
| | | | | | | |
| Foreign exchange translation differences recognised in equity from continuing operations | **(10.5)** | - | **(10.5)** | (8.2) | - | (8.2) |
| | | | | | | |
| **Total other comprehensive expense, net of tax** | **(10.5)** | **-** | **(10.5)** | (8.2) | - | (8.2) |
| | | | | | | |
| **Total comprehensive (expense) / income for the year** | **(2.2)** | **(143.7)** | **(145.9)** | 67.6 | (67.7) | (0.1) |
| | | | | | | |
| **Total comprehensive (expense) / income attributable to:** | | | | | | |
| Owners of the Company | **(2.9)** | **(143.7)** | **(146.6)** | 67.4 | (67.7) | (0.3) |
| Non-controlling interest | **0.7** | **-** | **0.7** | 0.2 | - | 0.2 |

# Consolidated Statement of Financial Position

**As at 31 December 2020**

| **(£ million)** | Note | **2020** | 2019 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 9 | 467.4 | 512.9 |
| Intangible assets | 9 | 206.7 | 247.8 |
| Property, plant and equipment | | 5.5 | 8.4 |
| Right of use assets | | 15.4 | 21.6 |
| Investments | | 32.4 | 67.9 |
| Investment property | | 0.8 | 2.1 |
| Deferred tax assets | 6 | 55.0 | 42.7 |
| Other receivables | | 0.7 | - |
| | | **783.9** | 903.4 |
| **Current assets** | | | |
| Inventories | | 2.1 | 4.1 |
| Trade and other receivables | | 197.9 | 141.4 |
| Assets classified as held for sale | 7 | 40.2 | - |
| Other investments, including derivatives | | - | 1.4 |
| Cash and cash equivalents | | 78.2 | 111.7 |
| | | **318.4** | 258.6 |
| **Total assets** | | **1,102.3** | 1,162.0 |
| | | | |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 137.3 | 85.7 |
| Deferred income | | 91.2 | 98.5 |
| Deferred and contingent consideration | 10 | 113.5 | 63.1 |
| Lease liabilities | | 6.7 | 9.4 |
| Liabilities classified as held for sale | 7 | 13.3 | - |
| Current tax liabilities | | 2.4 | 6.1 |
| Provisions | | 7.4 | 1.0 |
| | | **371.8** | 263.8 |
| **Non-current liabilities** | | | |
| Deferred income | | 0.6 | 0.7 |
| Deferred and contingent consideration | 10 | 22.7 | 40.1 |
| Lease liabilities | | 13.7 | 17.4 |
| External borrowings | 11 | 309.5 | 282.6 |
| Deferred tax liabilities | 6 | 4.6 | 22.9 |
| Provisions | | 1.6 | 2.4 |
| | | **352.7** | 366.1 |
| **Total liabilities** | | **724.5** | 629.9 |
| **Net assets** | | **377.8** | 532.1 |
| **Equity** | | | |
| Share capital | | 4.0 | 4.0 |
| Share premium | | 3.0 | 1.7 |
| Merger reserve | | 9.2 | 9.2 |
| Group restructure reserve | | 157.9 | 157.9 |
| Translation reserve | | (45.7) | (35.2) |
| Treasury share reserve | | (0.1) | (0.1) |
| Retained earnings | | 248.2 | 394.0 |
| Non-controlling interest | | 1.3 | 0.6 |
| **Total equity** | | **377.8** | 532.1 |

# Consolidated Statement of Changes in Equity
**For the year ended 31 December 2020**

| (£ million) | Share capital | Share premium | Merger reserve | Group restructure reserve | Translation reserve | Treasury share reserve | Retained earnings | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | Attributable to owners of the Company | | | | | | | | |
| **At 1 January 2019** | **4.0** | **0.5** | **9.2** | **157.9** | **(27.0)** | **(0.1)** | **401.0** | **-** | **545.5** |
| Profit / (loss) for the year | - | - | - | - | - | - | 7.9 | 0.2 | 8.1 |
| Other comprehensive expense | - | - | - | - | (8.2) | - | - | - | (8.2) |
| Total comprehensive (expense) / income | - | - | - | - | (8.2) | - | 7.9 | 0.2 | (0.1) |
| Issue of shares | - | 1.2 | - | - | - | - | - | - | 1.2 |
| Acquisition of subsidiary with non-controlling interest | - | - | - | - | - | - | - | 0.4 | 0.4 |
| Share-based payments | - | - | - | - | - | - | 7.7 | - | 7.7 |
| Taxation on share-based payments | - | - | - | - | - | - | 0.3 | - | 0.3 |
| Dividends paid | - | - | - | - | - | - | (22.9) | - | (22.9) |
| **At 31 December 2019** | **4.0** | **1.7** | **9.2** | **157.9** | **(35.2)** | **(0.1)** | **394.0** | **0.6** | **532.1** |
| (Loss) / profit for the year | - | - | - | - | - | - | (136.1) | 0.7 | **(135.4)** |
| Other comprehensive expense | - | - | - | - | (10.5) | - | - | - | **(10.5)** |
| Total comprehensive (expense) / income | - | - | - | - | (10.5) | - | (136.1) | 0.7 | **(145.9)** |
| Issue of shares | - | 0.7 | - | - | - | - | - | - | 0.7 |
| Share repurchase | - | - | - | - | - | - | (9.2) | - | (9.2) |
| Treasury shares sold | - | 0.6 | - | - | - | - | - | - | 0.6 |
| Share-based payments | - | - | - | - | - | - | (1.4) | - | (1.4) |
| Taxation on share-based payments | - | - | - | - | - | - | 0.9 | - | 0.9 |
| **At 31 December 2020** | **4.0** | **3.0** | **9.2** | **157.9** | **(45.7)** | **(0.1)** | **248.2** | **1.3** | **377.8** |

# Consolidated Statement of Cash Flows

**For the year ended 31 December 2020**

| (£ million) | Note | 2020 | Restated* 2019 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Loss before taxation on continuing operations | | (184.3) | (7.9) |
| Profit before taxation on discontinued operations | 7 | 17.4 | 18.1 |
| *Adjustments for:* | | | |
| Amortisation of acquired intangible assets | | 33.9 | 35.8 |
| Amortisation of software intangible assets | | 11.4 | 11.6 |
| Amortisation of right of use assets | | 7.6 | 7.3 |
| Depreciation of property, plant and equipment | | 4.4 | 3.8 |
| Impairment of assets | | 31.9 | - |
| Deferred and contingent consideration: revaluation and contingent employment costs | 10 | 97.6 | 33.1 |
| Share-based payments | | (1.6) | 8.5 |
| Share of the loss / (profit) in equity-accounted investees, net of tax | | 0.2 | (0.6) |
| Net finance costs | 5 | 17.6 | 10.3 |
| **Cash generated from operations before changes in working capital, provisions and deferred and contingent consideration** | | **36.1** | 120.0 |
| Deferred and contingent consideration paid | 10 | (23.1) | (11.5) |
| *Changes in:* | | | |
| Inventories | | 2.2 | (0.3) |
| Trade and other receivables | | (70.8) | (25.2) |
| Trade and other payables** | | 61.0 | 10.2 |
| Provisions | | 5.7 | (2.8) |
| **Cash generated from operations** | | **11.1** | 90.4 |
| Cash generated from operations before exceptional operating items | | 25.7 | 94.2 |
| Cash inflows for discontinued operations | | 19.8 | 19.0 |
| Cash outflows for acquisition-related contingent employment costs | 10 | (23.1) | (11.5) |
| Cash outflows for other exceptional operating items from continuing operations | | (11.3) | (11.3) |
| **Cash generated from operations** | | **11.1** | 90.4 |
| Tax paid | | (3.3) | (3.2) |
| **Net cash generated from operating activities** | | **7.8** | 87.2 |
| **Cash flow from investing activities** | | | |
| Acquisition of businesses, net of cash acquired | | (2.7) | (16.8) |
| Deferred and contingent consideration paid | 10 | (46.0) | (20.3) |
| Acquisition of investments | | (16.8) | (64.5) |
| Disposal of equity-accounted investments | | 55.1 | - |
| Acquisition of software intangibles and property, plant and equipment | | (24.0) | (18.5) |
| Disposal of businesses, net of cash disposed | | - | (2.3) |
| **Net cash used in investing activities** | | **(34.4)** | (122.4) |
| **Cash flow from financing activities** | | | |
| Proceeds from external borrowings | 11 | 311.5 | - |
| Repayment of external borrowings | 11 | (285.8) | - |
| Proceeds from issue of shares | | 0.7 | 1.2 |
| Proceeds from sale of SIP shares | | 0.6 | - |
| Share repurchase | | (9.2) | - |
| Interest and arrangement fees paid | | (12.0) | (6.2) |
| Lease liabilities paid | | (8.9) | (9.0) |
| Dividends paid to shareholders | | - | (22.9) |
| **Net cash used in financing activities** | | **(3.1)** | (36.9) |
| **Net decrease in cash and cash equivalents** | | (29.7) | (72.1) |
| Cash and cash equivalents at 1 January | | 111.7 | 182.0 |
| Effect of exchange rate changes | | (1.8) | 1.8 |
| **Cash and cash equivalents at 31 December*** ** | | **80.2** | 111.7 |

*Restated for discontinued operations (see Note 7)

**Net of interest payable and inclusive of deferred income

*** Includes £2.0m of cash and cash equivalents classified as held for sale

# Notes to the Financial Statements

**For the year ended 31 December 2020**

## 1. Basis of preparation and accounting policies

**Basis of preparation**

The preliminary announcement for the year ended 31 December 2020, which is an abridged statement of the full Annual Report and Accounts, has been prepared in accordance with applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 ("Adopted IFRS") and prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union ("IFRSs as adopted by the EU").

Ascential plc (the "Company") is a public company, which is listed on the London Stock Exchange and incorporated in the United Kingdom. The registered office is located at The Prow, 1 Wilder Walk, London W1B 5AP.

The financial information set out in this announcement does not constitute the Company's statutory accounts for the year ended 31 December 2020. Statutory accounts for 2019 have been delivered to the registrar of companies, and those for 2020 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The consolidated financial statements are presented in pounds sterling ("GBP"), which is the Company's functional currency, and have been rounded to millions to the nearest one decimal place except where otherwise indicated.

The consolidated financial statements have been prepared on a going concern basis (see further details below) and under the historical cost convention, with the exception of items that are required by IFRS to be measured at fair value, principally certain financial instruments. The consolidated financial statements have been prepared using consistent accounting policies with those of the previous financial year.

***Going concern***

After considering the current financial projections and facilities available and severe but plausible sensitivities, the Directors of the Company are satisfied that the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for at least the next 12 months from the date of approving these financial statements. The process and key judgements in coming to this conclusion are set out below. Further to this, the Directors have assessed the Group's prospects and viability over a three-year period and the viability statement can be found in the 2020 Annual Report.

The Board is required to assess going concern at each reporting period. These assessments are significantly more difficult currently given the uncertainties about the impact of Covid-19, the extent and duration of social distancing measures and the impact on the economies in which we operate. The level of judgement to be applied has therefore increased considerably. The Directors have considered three main factors in reaching their conclusions on going concern – liquidity, covenants and scenario planning – as set out below.

<u>Liquidity</u>

In January 2020, the Group entered into a new 5-year multi-currency revolving credit facility ("RCF") of £450m plus an accordion to raise further debt amounts, at the option of the lenders, of up to the greater of £120m or 150% of EBITDA. The maturity of the facility may be extended for a further one or two-year term on the second anniversary of the facility, subject to individual lender approval. At 31 December 2020 the borrowings were subject to interest at a margin of 2.50% over LIBOR. These facilities provide ample liquidity when judged against the net debt of the Company of £229.3m at 31 December 2020.

<u>Covenants</u>

The more sensitive aspects of the Company's financing are the application by the lenders of covenant tests to these facilities and the most sensitive covenant is Net Debt Leverage (broadly, the ratio of Net Debt to Adjusted EBITDA). This is primarily because Adjusted EBITDA in 2020 has reduced considerably, largely as a result of event cancellation. The facility covenants include a maximum net leverage of 3.25x with the benefit of additional 0.5x leverage spikes for relevant acquisitions and a minimum interest cover of 3.00x and are tested semi-annually. To address the uncertain business environment and ensure maximum flexibility in the medium term, across a broad range of business planning scenarios, the Group agreed the following covenant amendments with its banking group (subject to minimum liquidity of £100m at December 2020 and £125m thereafter):

- At the December 2020 testing point – a full waiver of the leverage and interest cover covenants.
- At the June 2021 testing point – the leverage covenant ratio limit has been relaxed to 4.75x.
- At the December 2021 testing point – the leverage covenant ratio limit has been relaxed to between 3.50x and 4.50x depending on the scale of profits from live events in 2021.
- At the June 2022 testing point – if either Money20/20 Europe or USA do not take place in 2021, the leverage covenant limit at June 2022 will be 3.75x.

At the December 2020 testing point, the minimum liquidity requirements have been met with £217.5m of available liquidity.

Scenario planning

In assessing going concern, the Directors consider a variety of plausible scenarios in the context of the Covid-19 pandemic. These scenarios are not the forecasts of the Company and are designed to stress test liquidity and covenant compliance. The two most relevant scenarios reviewed to test going concern are as follows:

- ***Successful vaccine rollout 2021*** - the scenario envisages a robust recovery in global economic activity from the Summer of 2021. The scenario assumes that Cannes Lions takes place in June 2021 and that Money20/20 takes place in Europe in September 2021 and in the US in October 2021.

- ***Severe case: slow rollout and recovery*** – the most severe modelled scenario that the directors currently see as plausible for going concern stress testing assumes that Covid-19 continues to impact 2021 resulting in the cancellation of all events in 2021 and most economies not returning to pre-crisis levels until 2023. The normal events roster recommences June 2022.

In their review of the downside scenarios, the Directors have considered a number of mitigations that are at their discretion, including but not limited to: future dividend cancellation, the use of debt factoring arrangements, and further restructuring and cost cutting measures. In these downside scenarios there is still sufficient headroom with regards to these covenants.

Accordingly, the Directors continue to believe that the preparation of these consolidated financial statements should be on the basis of a going concern.

## 2. Critical accounting judgements and estimates

The preparation of these financial statements requires management to exercise judgement in applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses. The actual future outcomes may differ from these estimates and give rise to material adjustments to the reported results and financial position of the Group. Estimates and underlying assumptions are reviewed on an ongoing basis, with revisions recognised in the year in which the estimates are revised and in any future periods affected.

The areas involving a higher degree of judgement or complexity and assumptions or estimation are set out below and in more detail in the related notes. Significant updates to these judgements and estimations, in particular in light of Covid-19, are detailed where relevant in the related notes and in Note 1 above on going concern.

### Critical accounting judgements

### Alternative Performance Measures

The Group uses alternative performance measures which are not defined or specified under IFRS and removes adjusting items to present an adjusted result. Adjusting items include amortisation and impairment of acquired intangibles, share-based payments, one-off financing costs and exceptional items. The classification of exceptional items requires significant management judgement to determine the nature and presentation of such transactions. Exceptional items are those which are considered significant by virtue of their nature, size or incidence. These items are presented as a separate column on the face of the income statement but within their relevant income statement caption. The Board view this as a relevant analysis to assist the reader in their understanding of the underlying performance and financial results of the Group. Note 4 provides an analysis of exceptional items.

**Operating segments**
In September 2020, a comprehensive reorganisation of Ascential into five new divisions was announced which resulted in a change in the way the operating results were regularly reviewed by the Group's Chief Operating Decision Maker ("CODM"). Accordingly, the business now presents five operating segments for which judgement was required to ensure that the new operating segments are appropriate and that the component parts presented historically are consistent with the future structure (see Note 3 for further details).

**Cash Generating Units ("CGUs") for impairment testing**
A cash generating unit is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A CGU is identified consistently from period to period for the same asset or types of assets, unless a change is justified. In September 2020 there was a comprehensive reorganisation of Ascential into five operating segments which required a review of CGUs and the allocation of goodwill. Management judged that the level at which goodwill historically relating to the business units in the Digital Commerce segment is now monitored at a segment level. Accordingly, the goodwill was allocated to the groups of CGUs within Digital Commerce (see Note 9 for future details).

**Trade investments**
The Group has made a series of investments where it holds less than 20% of the voting rights. Even though these rights are below the level at which significant influence is presumed to exist, management have reviewed all relevant interactions and judged that these investments should not be accounted for as associates as the Group does not have the power to participate in the financial and operating policy decisions of the businesses and so does not have significant influence.

**Key sources of estimation**

**Valuation of contingent consideration and acquisition-related employment costs (Note 10)**
Where a business combination agreement provides for an adjustment to the consideration, contingent on future performance over the contractual earn-out period, the Group accrues the fair value, based on the estimated additional consideration payable as a liability at acquisition date. To the extent that deferred contingent consideration is payable as part of the acquisition cost and is payable after one year from the acquisition date, the deferred consideration is discounted at an appropriate discount rate and carried at net present value in the consolidated balance sheet. The liability is measured against the contractually agreed performance targets at each subsequent reporting date with any adjustments recognised in the consolidated income statement.

Acquisition-related employment costs are contingent on both the future performance of the acquired business and also linked to continued employment of the founders over the contractual agreed period. They are treated as an expense and recognised as such in the consolidated income statement.

The estimation of the likely liability requires the Group to make judgements concerning the future performance of related business over both the deferred contingent consideration period and the period of employment.

**Deferred tax (Note 6)**
Deferred tax assets are recognised to the extent that their utilisation is probable. The utilisation of deferred tax assets will depend on the judgement whether it is more likely than not that the Group will generate sufficient and suitable taxable income of the correct type and jurisdiction in the future, taking into account any restrictions on the length of the loss-carry forward period. Various factors are used to assess the probability of the future utilisation of deferred tax assets, including past operating results, operational plans, including the potential impact Covid-19 may have on future profitability and loss-carry forward periods.

**Goodwill and acquired intangibles recoverable amount (Note 9)**
Recoverable amount is the higher of value-in-use or fair value less costs of disposal. Determination of these amounts is based upon multiple estimates, including a forecast of future cash flows and judgements surrounding the appropriate discount rates to apply and terminal growth rates.

## 3. Operating Segments

The Group's reportable segments changed during the year to reflect the growing importance of Digital Commerce to the Group's strategy and operations and to provide greater focus on brand customers and synergy. The Sales segment disclosed in the 2019 Annual Report has been split into two new separate reporting segments: Digital Commerce and Retail & Financial Services. The Retail and Financial Services segment comprises Money20/20 and RWRC as well as the Alternative Data team (previously reported in the Product Design segment) who solely serve Financial Services clients. Additionally, the retail clients of our Digital Commerce business will now be managed and reported as part of the Retail and Financial Services segment allowing our Digital Commerce team to focus exclusively on brand customers.

The Group has five reportable segments that are used to present information to the Board (Chief Operating Decision Maker) on a monthly basis. End market risks and opportunities vary and capital allocation decisions are made on the basis of five reportable segments. The five reportable segments are Digital Commerce, Product Design, Marketing, Retail & Financial Services and Built Environment & Policy, which is now treated as a discontinued operation. The reportable segments offer different products and services and are managed separately as a result of different capabilities, technology, marketing strategies and end market risks and opportunities. The following summary describes the continuing operations in each of the Group's reportable segments:

- Digital Commerce: measurement, optimisation and execution for digital commerce growth
- Product Design: consumer product trend forecasting, data and insight to create world-class products and experiences
- Marketing: services and tools to measure and optimise marketing creativity, media and platform effectiveness and efficiency
- Retail & Financial Services: events, data and tools to improve performance and drive innovation in retail and financial services

Information regarding the results of each continuing reportable segment is included below and restated for prior periods to enhance comparability. The results of the Built Environment & Policy segment are presented within discontinued operations (refer to Note 7). Reportable segment profits are measured at an Adjusted operating profit level, representing reportable segment Adjusted EBITDA, less depreciation costs and amortisation in respect of software intangibles, without allocation of Corporate costs as reported in the internal management reports that are reviewed by the Board. Reportable segment Adjusted EBITDA and reportable segment Adjusted operating profit are used to measure performance as management believes that such information is the most relevant in evaluating the results of the reportable segments relative to other comparable entities. Total assets and liabilities for each reportable segment are not disclosed because they are not provided to the Board on a regular basis. Total assets and liabilities are internally reviewed on a Group basis.

### Year ended 31 December 2020

| (£ million) | Digital Commerce | Product Design | Marketing | Retail & Financial Services | Corporate costs | Continuing operations total | Discontinued operations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | 103.1 | 88.1 | 54.3 | 18.2 | - | 263.7 | 37.4 | 301.1 |
| **Adjusted EBITDA** | **22.9** | **38.0** | **(0.8)** | **(14.3)** | **(17.3)** | **28.5** | **21.5** | **50.0** |
| Depreciation and software amortisation | (6.3) | (4.7) | (6.1) | (2.3) | (3.1) | (22.5) | (0.9) | (23.4) |
| **Adjusted operating profit / (loss)** | **16.6** | **33.3** | **(6.9)** | **(16.6)** | **(20.4)** | **6.0** | **20.6** | **26.6** |
| Amortisation of acquired intangible assets | | | | | | (33.7) | (0.2) | (33.9) |
| Exceptional items | | | | | | (140.4) | (3.0) | (143.4) |
| Share-based payments | | | | | | 1.6 | - | 1.6 |
| **Operating loss** | | | | | | **(166.5)** | **17.4** | **(149.1)** |
| Share of net profit in equity-accounted investee | | | | | | (0.2) | - | (0.2) |
| Finance costs | | | | | | (19.5) | - | (19.5) |
| Finance income | | | | | | 1.9 | - | 1.9 |
| **Loss before tax** | | | | | | **(184.3)** | **17.4** | **(166.9)** |

**Year ended 31 December 2019 (Restated*)**

| (£ million) | Digital Commerce | Product Design | Marketing | Retail & Financial Services | Corporate costs** | Continuing operations total | Discontinued operations | Total |
|---|---|---|---|---|---|---|---|---|
| Revenue | 78.1 | 85.7 | 135.9 | 81.1 | (0.5) | 380.3 | 35.9 | 416.2 |
| **Adjusted EBITDA** | **12.3** | **38.2** | **50.7** | **25.1** | **(17.3)** | **109.0** | **19.5** | **128.5** |
| Depreciation and software amortisation | (4.0) | (4.0) | (7.5) | (2.8) | (3.5) | (21.8) | (0.9) | (22.7) |
| **Adjusted operating profit** | **8.3** | **34.2** | **43.2** | **22.3** | **(20.8)** | **87.2** | **18.6** | **105.8** |
| Amortisation of acquired intangible assets | | | | | | (35.6) | (0.2) | (35.8) |
| Exceptional items | | | | | | (41.4) | (0.2) | (41.6) |
| Share-based payments | | | | | | (8.4) | (0.1) | (8.5) |
| **Operating profit** | | | | | | **1.8** | **18.1** | **19.9** |
| Share of net profit in equity-accounted investee | | | | | | 0.6 | - | 0.6 |
| Finance costs | | | | | | (14.8) | - | (14.8) |
| Finance income | | | | | | 4.5 | - | 4.5 |
| **Profit before tax** | | | | | | **(7.9)** | **18.1** | **10.2** |

* Restated for new operating segments and discontinued operations (see Note 7).
**Corporate costs include a £0.5m elimination for intercompany trading.

Exceptional items within continuing operations of £140.4m (2019: £41.4m) include £98.5m (Restated* 2019: £37.3m), £1.2m (2019: £nil), £4.9m (Restated* 2019: £3.5m), £29.3m (Restated* 2019: £nil) and £6.5m (2019: £0.6m) which are attributable to Digital Commerce, Product Design, Marketing, Retail & Financial Services and Corporate costs respectively. Finance costs, finance income, share of net profit in equity accounted investees and share-based payments are not allocated to segments, as these types of activity are driven by the Group corporate function.

**Revenue and non-current assets by location**

The revenue analysis is based on the location of customers. Non-current assets analysis (excluding deferred tax and financial instruments) is based on geographical location of the business.

The Group does not have any customers from whom revenue exceeds 10% of total revenue. Included in revenue is barter revenue arising from the exchange of goods or services of £0.3m for the year ended 31 December 2020 (2019: £2.6m).

| (£ million) | **Revenue** | | **Non-current assets**** | |
|---|---|---|---|---|
| | **2020** | Restated* 2019 | **2020** | 2019 |
| United Kingdom | 33.1 | 55.6 | 344.4 | 413.9 |
| Other Europe | 39.5 | 64.5 | 88.5 | 95.9 |
| United States and Canada | 143.8 | 191.6 | 265.1 | 320.8 |
| Asia Pacific | 33.5 | 44.3 | 29.3 | 27.9 |
| Middle East and Africa | 5.2 | 8.8 | - | - |
| Latin America | 8.6 | 15.5 | 1.6 | 2.2 |
| **Total** | **263.7** | 380.3 | **728.9** | 860.7 |

*Restated for discontinued operations (see Note 7).
**Non-current assets exclude deferred tax assets of £55.0m (2019: £42.7m).

**Additional segmental information on revenue**
The Group's revenue is derived from contracts with customers.

*Disaggregation of revenue*
The following table shows revenue disaggregated by major service lines, and the timing of revenue recognition:

| (£ million) | Timing of revenue recognition | 2020 | Restated* 2019 |
|---|---|---|---|
| Digital Subscriptions & Platforms | Over time | 95.6 | 72.0 |
| Advisory | Over time | 7.5 | 6.1 |
| **Digital Commerce** | | **103.1** | 78.1 |
| Digital Subscriptions & Platforms | Over time | 81.3 | 78.4 |
| Advisory | Over time | 6.8 | 7.3 |
| **Product Design** | | **88.1** | 85.7 |
| Digital Subscriptions & Platforms | Over time | 17.0 | 15.8 |
| Advisory | Over time | 35.0 | 49.8 |
| Benchmarking Awards | Point in time | 1.0 | 29.2 |
| Events | Point in time | 1.3 | 41.1 |
| **Marketing** | | **54.3** | 135.9 |
| Digital Subscriptions & Platforms | Over time | 14.3 | 14.8 |
| Advisory | Over time | 2.2 | 2.2 |
| Events | Point in time | 1.7 | 64.1 |
| **Retail & Financial Services** | | **18.2** | 81.1 |
| Intercompany sales | | - | (0.5) |
| **Revenue from continuing operations** | | **263.7** | 380.3 |

* Restated for new operating segments and discontinued operations (see Note 7).

## 4. Adjusting items

Adjusting items are those which are considered significant by virtue of their nature, size or incidence and are presented separately in the consolidated statement of profit and loss to enable a full understanding of the Group's financial performance. Adjusting items is not a defined term under IFRS and include share-based payment charges, amortisation of intangibles acquired through business combinations and exceptional items such as costs incurred for acquisitions and disposals, integration, non-recurring business restructuring and capital restructuring. The tax effect of Adjusting items is also included within Adjusting items (see Note 6). Adjusting items included in operating profit/(loss) are:

| (£ million) | Note | 2020 | Restated* 2019 |
|---|---|---|---|
| Revaluation of contingent consideration | 10 | 64.1 | 13.0 |
| Acquisition–related employment costs accrued in the period | 10 | 33.5 | 20.1 |
| **Total deferred consideration costs** | | **97.6** | 33.1 |
| Impairment of Retail & Financial Services assets | 9 | 28.4 | - |
| Restructuring costs | | 7.0 | - |
| Property impairments and onerous contracts | | 4.8 | - |
| Acquisition transaction and integration costs | | 2.6 | 8.3 |
| **Exceptional items** | | **140.4** | 41.4 |
| Amortisation of acquired intangible assets | | 33.7 | 35.6 |
| Share-based payments | | (1.6) | 8.4 |
| **Adjusting items in operating profit / (loss)** | | **172.5** | 85.4 |
| Finance costs | 5 | 1.9 | - |
| Share of the (profit) / loss of joint ventures | | - | 0.3 |
| **Adjusting items in profit / (loss) before tax from continuing operations** | | **174.4** | **85.7** |

* Restated for discontinued operations (see Note 7).

The revaluation of contingent consideration in the year reflects the significant outperformance of Flywheel Digital in 2020 and its expected outperformance 2021 driven in part by consumer purchasing trends moving further towards eCommerce channels as a result of the Covid-19 pandemic. This significant outperformance results in a material increase in deferred consideration payable over the next 2 years and Flywheel Digital accounts for £88.2m of the total charge of which £26.5m is attributable to a founder service condition and therefore disclosed as employment costs in the year. Acquisition-related employment costs incurred in the year include £26.5m, £3.8m and £1.8m, relating primarily to that element of the purchase consideration the acquisitions of Flywheel Digital, Yimian and MediaLink which, absent the link to continued employment, would have been treated as consideration. Under the sale and purchase agreements, between 25% and 50% of deferred payments are contingent on not only the results of the business in the post-acquisition period but also the continued employment of the founders.

Impairment of Retail & Financial Services assets of £28.4m relates to impairments of assets in the Retail Week & WRC and RFS Price & Promotion cash generating units as a result of global restrictions arising from the Covid-19 pandemic which have exacerbated long-standing issues faced by the wider retail industry (see Note 9 for further details).

Restructuring costs of £7.0m represent the one-off material expenses of a redundancy programme, eliminating approximately 200 roles, in order to right-size our cost base in light of the post-Covid economic outlook.

Property impairments and onerous contracts of £4.8m (2019: £nil) reflect impairments of right of use assets and leasehold improvements and the creation of provisions for operating expenses that are now onerous following a reassessment of the Group's property requirements.

As part of the overall strategy of managing the Group's portfolio, we consider the costs incurred as part of the acquisition and integration of acquired businesses to be Adjusting items. Acquisition transaction costs include directly linked transaction costs such as legal and diligence fees as well as stamp duty where applicable. Integration spend is in relation to transferring acquired businesses onto the Group's IT and revenue platforms, merging of products and rebranding.

The share-based payments credit of £1.6m (2019: charge £8.4m) reflects revised expectations on the vesting of Performance Share Plan awards due to the expected performance of the Group versus the target performance conditions.

Finance costs of £1.9m relate to the write-off of unamortised arrangement fees upon early refinancing of the previous debt facility and subsequent covenant amendments (see Note 5).

## 5. Finance costs and finance income

| **(£ million)** | Note | **2020** | 2019 |
|---|---|---|---|
| Interest on bank deposits | | 0.3 | 0.9 |
| Remeasurement of trade investments to fair value | | 1.4 | 1.6 |
| Foreign exchange gain | | 0.2 | 2.0 |
| **Finance income** | | **1.9** | 4.5 |
| Interest payable on external borrowings | | (7.4) | (6.8) |
| Amortisation of arrangement fees | | (0.8) | (1.1) |
| Fair value loss on derivative financial instruments | | (0.3) | - |
| Discount unwind on contingent and deferred consideration | 10 | (7.9) | (5.5) |
| Discount unwind of lease liability | | (1.1) | (1.3) |
| Discount unwind of property provisions | | (0.1) | (0.1) |
| **Adjusted finance costs** | | **(17.6)** | (14.8) |
| Adjusting items in relation to refinancing | 11 | (1.9) | - |
| **Net finance costs from continuing operations** | | **(17.6)** | (10.3) |

### 6. Taxation

The tax credit has been calculated by applying the full year rate to the results for the year, with specific tax adjustments for Adjusting items (amortisation of acquired intangible assets, share-based payments and exceptional items). The tax charge for the year comprises:

| (£ million) | 2020 | 2019 |
|---|---|---|
| **Current tax** | | |
| UK current tax (credit) / charge on income for the year at 19.0% | (3.8) | 3.2 |
| Overseas current tax charge on income for the year | 0.7 | 2.3 |
| Adjustments in respect of prior years | (0.9) | (2.6) |
| **Total current tax (credit) / charge** | **(4.0)** | 2.9 |
| **Deferred tax** | | |
| Current year | (32.1) | (3.2) |
| Adjustments in respect of prior years | 0.2 | (1.1) |
| Impact of rate changes on opening balances | 0.5 | - |
| **Total deferred tax credit** | **(31.4)** | (4.3) |
| **Total tax credit** | **(35.4)** | (1.4) |
| **Total effective tax rate** | **19.0%** | 17.7% |

The difference between the tax as credited in the consolidated income statement and tax at the UK standard rate is reconciled below:

| | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| **(£ million)** | **Adjusted profit / tax** | **Adjusting items / tax** | **Total profit / tax from continuing operations*** | Adjusted profit / tax | Adjusting items / tax | Total profit / tax from continuing operations* |
| (Loss) / profit before tax | (9.9) | (174.4) | (184.3) | 77.8 | (85.7) | (7.9) |
| Expected tax (credit) / charge at the UK standard rate of 19.0% | (1.9) | (33.1) | (35.0) | 14.8 | (16.3) | (1.5) |
| **Principal differences due to:** | | | | | | |
| Impact of higher overseas tax rates | 1.6 | (7.0) | (5.4) | 3.4 | (3.2) | 0.2 |
| Trading losses not recognised for deferred tax purposes | 0.6 | - | 0.6 | 5.2 | - | 5.2 |
| Non-deductible impairment to goodwill | - | 2.8 | 2.8 | - | - | - |
| Non-deductible legal, professional and M&A costs | 0.5 | 1.5 | 2.0 | - | 0.3 | 0.3 |
| Non-deductible share-based payments expense | - | (0.3) | (0.3) | 0.1 | 0.7 | 0.8 |
| Non-taxable / deductible exchange (gains) / losses | - | - | - | (2.7) | - | (2.7) |
| Impact of rates changes | (1.3) | 1.8 | 0.5 | - | - | - |
| Adjustments in respect of prior years | (1.0) | 0.4 | (0.6) | (3.7) | - | (3.7) |
| **Total (credit) / tax charge for the year** | **(1.5)** | **(33.9)** | **(35.4)** | 17.1 | (18.5) | (1.4) |
| **Effective tax rate** | **15.2%** | **19.4%** | **19.2%** | 22.0% | 21.6% | 17.7% |

* Tax on discontinued operations is set out in Note 7

The Group's effective tax rate is higher than the UK's statutory tax rate mainly due to its mix of profits coming from the US.

The major deferred tax assets and liabilities recognised by the Group, and the movements in the year, are set out below:

| (£ million) | Non-deductible intangible assets | US deductible intangible assets | Share-based payments | Property, plant and equipment | Tax losses | Other | Total |
|---|---|---|---|---|---|---|---|
| At 1 January 2019 | **(24.8)** | **11.0** | **2.1** | **7.2** | **21.4** | **1.4** | **18.3** |
| Credit / (charge) to the consolidated income statement for the year | 3.0 | 6.6 | 0.5 | (0.6) | (7.0) | 0.7 | 3.2 |
| Credit to equity | - | - | (0.2) | - | - | (0.3) | (0.5) |
| Adjustments in respect of prior years | - | - | - | (0.1) | 0.4 | 0.8 | 1.1 |
| Acquisitions | (1.2) | - | - | - | - | - | (1.2) |
| Foreign exchange movements | 0.1 | (0.3) | (0.1) | - | (0.5) | (0.3) | (1.1) |
| **At 1 January 2020** | **(22.9)** | **17.3** | **2.3** | **6.5** | **14.3** | **2.3** | **19.8** |
| Credit / (charge) to the consolidated income statement for the year | 5.4 | 12.3 | (1.1) | (0.2) | 14.0 | 1.8 | 32.2 |
| Credit / (charge) to equity | - | - | 0.9 | - | - | - | 0.9 |
| Impact of rate changes | (2.1) | - | 0.3 | 0.7 | 0.6 | - | (0.5) |
| Adjustments in respect of prior years | - | (0.5) | - | - | 0.3 | - | (0.2) |
| Transfer to balance sheet | - | - | - | - | - | (0.4) | (0.4) |
| Foreign exchange movements | 0.1 | (0.5) | - | - | (0.3) | (0.2) | (0.9) |
| Discontinued operations | - | - | (0.1) | (0.4) | - | - | (0.5) |
| **At 31 December 2020** | **(19.5)** | **28.6** | **2.3** | **6.6** | **28.9** | **3.5** | **50.4** |

The above deferred tax balances are expected to reverse as follows:

| (£ million) | Non-deductible intangible assets | US deductible intangible assets | Share-based payments | Property plant and equipment | Tax losses | Other | Total |
|---|---|---|---|---|---|---|---|
| Within 12 months | (2.9) | 2.0 | (0.4) | 1.7 | 6.9 | - | 7.3 |
| After 12 months | (16.6) | 26.6 | 2.7 | 4.9 | 22.0 | 3.5 | 43.1 |
| **Total** | **(19.5)** | **28.6** | **2.3** | **6.6** | **28.9** | **3.5** | **50.4** |

The UK Government enacted changes to the UK tax rate this year, resulting in the rate remaining at 19% (instead of the previously intended reduction from 19% to 17% from 1 April 2020). We have revalued our UK deferred tax assets and liabilities accordingly. This has resulted in a charge of £0.5m, comprising an increase in the value of the deferred tax liability on consolidated intangibles of £2.1m offset by a reduction in the value of deferred tax assets of £1.6m.

Following the inauguration of a new US president, it is possible we may see an increase in Federal tax rates above the current 21% rate. Whilst there is no proposed legislation at this time, it is possible that the rate could be increased to as high as 28%, although a more modest increase is more likely. Any increase in the US Federal rate could have a material impact on our US deferred tax balances. Each 1% increase in the rate of Federal tax would increase our US deferred tax assets by £2.1m.

In his UK Budget speech on 3 March 2021, the Chancellor announced his intention to raise the UK corporation tax rate to 25% from 1 April 2023. As this change has not yet been substantively enacted, the above deferred tax assets and liabilities remain valued using the enacted rate of 19%. If these assets were revalued to 25%, for amounts which will unwind after 1 April 2023, this would increase the net asset by approximately £1.2m.

Non-deductible intangibles represent the value of the deferred tax liability which arises on the fair value of acquired intangibles which are not deductible for tax purposes. The liability is valued at the tax rate applicable to the jurisdiction where the intangibles are located.

US deductible intangible assets represent the value of deferred tax assets on US tax deductible intangibles and deferred consideration. These deferred tax assets are recognised at a US Federal and State tax rate averaging 26%.

Deferred tax assets have been recognised on the basis that sufficient taxable profits are forecast to be available in the future to enable them to be utilised.

At 31 December 2020, the Group has the following tax losses:

| (£ million) | **Recognised 2020** | Recognised 2019 | **Unrecognised 2020** | Unrecognised 2019 | **Total 2020** | Total 2019 |
|---|---|---|---|---|---|---|
| US net operating losses | **95.5** | 49.9 | **53.4** | 102.5 | **148.9** | 152.4 |
| UK non-trading losses | **30.0** | 22.7 | **-** | - | **30.0** | 22.7 |
| Irish trading losses | **-** | - | **46.6** | 44.5 | **46.6** | 44.5 |
| UK capital losses | **-** | - | **114.9** | 114.9 | **114.9** | 114.9 |
| Other Rest of World losses | **-** | - | **9.5** | 6.2 | **9.5** | 6.2 |
| **Total** | **125.5** | 72.6 | **224.4** | 268.1 | **349.9** | 340.7 |

The above losses represent the following value at tax rates applicable at the balance sheet date:

| (£ million) | **Recognised 2020** | Recognised 2019 | **Unrecognised 2020** | Unrecognised 2019 | **Total 2020** | Total 2019 |
|---|---|---|---|---|---|---|
| US net operating losses | **23.3** | 10.5 | **11.2** | 25.6 | **34.5** | 36.1 |
| UK non-trading losses | **5.7** | 3.7 | **-** | - | **5.7** | 3.7 |
| Irish trading losses | **-** | - | **5.8** | 5.6 | **5.8** | 5.6 |
| UK capital losses | **-** | - | **21.8** | 19.5 | **21.8** | 19.5 |
| Other Rest of World losses | **-** | - | **2.6** | - | **2.6** | - |
| **Total** | **29.0** | 14.2 | **41.4** | 50.7 | **70.4** | 64.9 |

The Group has tax losses in the US totalling £148.9m (2019: £152.4m). These comprise £50.7m losses arising in the current year and £98.2m of losses brought forward from earlier years. The movement on brought forward losses from prior year arises as a result of expiry of losses which can be carried forward for only 20 years. It has been agreed with the US tax authorities that these brought forward losses are available to offset against taxable profits subject to a restriction following the change of ownership that was deemed to have occurred upon listing of Ascential plc in 2016. In line with the US tax rules, the restriction of losses is, to a large extent, based on the valuation of the US group at the change of control date and this will be agreed with the US tax authorities in due course. In prior years, our forecasting of the future available losses, and so value of the associated deferred tax asset, had been driven by this limitation and so the valuation was a key source of estimation. Following additional earnout payments in the US, and a change to mix of profits, this is no longer the case. Our ability to utilise losses in future years is now driven by the level of taxable profits arising in the US as the increased earnout payments give rise to tax deductions which displace the loss utilisation. As a result, we have revised downwards our estimate of future utilised losses which accounts for £0.7m (2019: £2.6m) of the prior year adjustment to the deferred tax asset in respect of losses.

## 7. Discontinued operations and assets held for sale

As part of its growth strategy to focus resources and investment on its strategic priorities, the Group's non-core segment of Built Environment & Policy has been classified as held for sale in accordance with IFRS 5 as at 31 December 2020. This follows the Group's announcement that it had entered into an agreement to sell Glenigan on 15 December 2020 and its intention to sell the remaining segment businesses within the next twelve months from the balance sheet date. The sales of Groundsure and DeHavilland were subsequently confirmed on 20 January 2021 and 12 February 2021 respectively (see Note 12).

For operations that are classified as held for sale, management are required to determine whether the carrying value of the disposal groups can be supported by the fair value less costs to sell. For each of the transactions which have been agreed or completed, the selling price agreed with the purchasers exceeds the carrying value of the assets.

At 31 December 2020, the disposal group was stated at carrying amount and comprised of the following assets and liabilities:

| **(£ million)** | **2020** |
|---|---|
| Goodwill | 24.9 |
| Intangible assets | 2.2 |
| Property, plant and equipment | 0.4 |
| Right of use assets | 0.4 |
| Deferred tax assets | 0.5 |
| Trade and other receivables | 9.8 |
| Cash and cash equivalents | 2.0 |
| **Total assets held for sale** | **40.2** |
| Trade and other payables | 4.5 |
| Deferred income | 8.0 |
| Deferred and contingent consideration | 0.3 |
| Lease liabilities | 0.5 |
| **Total liabilities held for sale** | **13.3** |

The results of the Built Environment & Policy segment have been presented as discontinued operations within the consolidated income statement.

| | | **2020** | | | 2019 | |
|---|---|---|---|---|---|---|
| | **Adjusted results** | **Adjusting items** | **Total** | Adjusted results | Adjusting items | Total |
| Revenue | 37.4 | - | 37.4 | 35.9 | - | 35.9 |
| Cost of sales | (9.3) | - | (9.3) | (8.6) | - | (8.6) |
| Sales, marketing and administrative expenses | (7.5) | (3.2) | (10.7) | (8.7) | (0.5) | (9.2) |
| **Operating profit / (loss)** | 20.6 | (3.2) | 17.4 | 18.6 | (0.5) | 18.1 |
| Adjusted EBITDA | 21.5 | - | 21.5 | 19.5 | - | 19.5 |
| Depreciation and amortisation | (0.9) | (0.2) | (1.1) | (0.9) | (0.2) | (1.1) |
| Exceptional items | - | (3.0) | (3.0) | - | (0.2) | (0.2) |
| Share-based payments | - | - | - | - | (0.1) | (0.1) |
| **Operating profit / (loss)** | 20.6 | (3.2) | 17.4 | 18.6 | (0.5) | 18.1 |
| Finance costs | - | - | - | - | - | - |
| Finance income | - | - | - | - | - | - |
| **Profit / (loss) from discontinued operations** | 20.6 | (3.2) | 17.4 | 18.6 | (0.5) | 18.1 |
| Taxation | (3.9) | - | (3.9) | (3.5) | - | (3.5) |
| **Profit from discontinued operations, net of tax** | 16.7 | (3.2) | 13.5 | 15.1 | (0.5) | 14.6 |
| **Earning per share (pence)** | | | | | | |
| -Basic | 4.2 | (0.9) | 3.3 | 3.7 | (0.1) | 3.6 |
| -Diluted | 4.2 | (0.9) | 3.3 | 3.7 | (0.1) | 3.6 |

Exceptional items in discontinued operations include costs of disposal totalling £3.0m. These include financial and commercial diligence and legal costs.

During the year discontinued operations generated cash of £19.8m (2019: £19.0m), in respect of operating activities, used £2.6m (2019: £0.9m) in respect of investing activities, primarily the acquisition of Mining Searches UK, and used £0.2m (2019: £0.2m) in respect of financing activities.

## 8. Earnings per share

| | 2020 | | | Restated* 2019 | | |
|---|---|---|---|---|---|---|
| | **Adjusted results** | **Adjusting items** | **Total** | Adjusted results | Adjusting items | Total |
| **Profit / (loss) for the year attributable to owners of the Company (£ million)** | | | | | | |
| Profit / (loss) for the year- continuing operations | (9.1) | (140.5) | (149.6) | 60.5 | (67.2) | (6.7) |
| Profit / (loss) for the year – discontinued operations | 16.7 | (3.2) | 13.5 | 15.1 | (0.5) | 14.6 |
| **Profit / (loss) for the year** | 7.6 | (143.7) | (136.1) | 75.6 | (67.7) | 7.9 |
| **Share number (million)** | | | | | | |
| Basic weighted average number of shares | 400.8 | 400.8 | 400.8 | 401.4 | 401.4 | 401.4 |
| **Diluted weighted average number of shares** | **400.8** | **400.8** | **400.8** | 401.4 | 401.4 | 401.4 |
| **Earnings per share (pence)** | | | | | | |
| Basic earnings per share | **1.9** | **(35.9)** | **(34.0)** | 18.8 | (16.8) | 2.0 |
| Diluted earnings per share | **1.9** | **(35.9)** | **(34.0)** | 18.8 | (16.8) | 2.0 |
| **Continuing operations** | | | | | | |
| Basic earnings per share | (2.3) | (35.0) | (37.3) | 15.1 | (16.7) | (1.6) |
| Diluted earnings per share | (2.3) | (35.0) | (37.3) | 15.1 | (16.7) | (1.6) |
| **Discontinued operations** | | | | | | |
| Basic earnings per share | 4.2 | (0.9) | 3.3 | 3.7 | (0.1) | 3.6 |
| Diluted earnings per share | 4.2 | (0.9) | 3.3 | 3.7 | (0.1) | 3.6 |

*Restated for discontinued operations (see Note 7)

## 9. Intangible assets and goodwill

At 31 December 2020, the Group had £644.0m of goodwill and intangible assets acquired through acquisitions (2019: £737.5m). The goodwill attributed to each of the Group's cash generating units (CGUs) is assessed for impairment annually and more frequently where there are indicators of impairment. In assessing for impairment, an estimate of the CGU's recoverable amount is determined. The recoverable amount is the higher of value-in-use and fair value less costs of disposal.

**Impairment of CGUs**

Impairment losses of £28.4m have been recognised for the below CGUs for the year ended 31 December 2020 (2019: £nil).

| (£ million) | 2020 |
|---|---|
| Retail Week & WRC | **(9.6)** |
| RFS Price & Promotion | **(18.8)** |
| **Total** | **(28.4)** |

**Covid-19**

Global restrictions arising from the Covid-19 pandemic have exacerbated long-standing issues faced by the wider retail industry. This has led to impairments for certain cash generating units in the Retail & Financial Service segment, namely Retail Week & WRC and RFS Price & Promotion.

For the other CGUs, it is expected that the adverse impact of Covid-19 will not be long term and they have the platforms and capabilities to bounce back strongly. Moreover, for Cannes Lions and Money20/20, intangibles are a small multiple of normal annual profits. Furthermore, whilst Covid-19 has impacted significant elements of the world's economy, it has accelerated the Group's strategically important Digital Commerce business.

**CGUs**
The Group's CGUs have been assessed based on largely independently managed cash flows. Due to the growing interdependencies of the business units within Digital Commerce, goodwill previously attributable to the individual CGUs has been allocated as a whole to the group of CGUs that form Digital Commerce and are assessed for impairment at that level. This represents the lowest level at which management monitor goodwill for internal management purposes. In addition to this, prior to 31 December 2020, the Built Environment & Policy CGU was classified as held for sale and therefore does not fall within the scope of IAS36. Nevertheless, the value has been supported by the sale of these business units at a profit post year end.

Upon the restructure of the previous Edge CGU, £10.8m of goodwill and £7.7m of acquired intangibles assets have been allocated to the new RFS Price & Promotion CGU. The allocation of these assets has been based on the relative fair values. Management believe this is the most appropriate method of allocating these assets given the nature of these goodwill and acquired intangible assets.

At the point of the allocating goodwill to the Digital Commerce group of CGUs, management assessed that no impairments would be recorded in any of the affected CGUs under the former structure.

The below table sets out the CGUs year on year and how they align to reportable segments:

| 2019 CGU | 2020 CGU | 2020 Reportable segment |
|---|---|---|
| Product Design | Product Design | Product Design |
| Built Environment & Policy | N/A | N/A |
| Edge | Edge | Digital Commerce |
| Flywheel | Flywheel | |
| Yimian | Yimian | |
| Money20/20 | Money20/20 | Retail & Financial Services |
| Retail Week & WRC | Retail Week & WRC | |
| | RFS Price & Promotion | |
| Lions | Lions | Marketing |
| WARC | WARC | |
| MediaLink | MediaLink | |

When testing for impairment, recoverable amounts for all of the Group's CGUs are measured at their value-in-use by discounting the future expected cash flows from the assets in the CGUs. These calculations use cash flow projections based on Board-approved budgets and approved plans. Fair value less costs of disposal (FVLCD) is also considered as an alternative measure of recoverable amount based on revenue or EBITDA multiples compared to recent market transactions. This is a Level 3 measurement, based on inputs which are normally unobservable to market participants. Costs of disposal have been assumed to be 10% of expected disposal proceeds.

The key assumptions and estimates used for value-in-use calculations are as follows:

**Future expected cash flows**
Cash flow forecasts over a five-year horizon have been prepared after considering the current economic environment in the relevant markets and the length and shape of the end market recovery from Covid-19. Cash flow forecasts were derived from the most recent Board approved plans, which have been prepared after considering the current economic environment in each of our markets. In calculating the terminal value, cash flows beyond the plan period were extrapolated using a long-term growth rate of 3% for Digital Commerce and 2.5% across remaining CGUs (2019: 3% for Digital Commerce and 2.5% across remaining CGUs). This is in line with the IMF World Economic Outlook published in October 2020, which represents the long-term rates of inflation expected in the economies in which we operate and the Company's best estimate of cash flow growth beyond the relevant plan period. The estimates of future cash flows are consistent with experience adjusted for the Group's estimate of future performance.

**Discount rates**
Inputs include risk-adjusted, pre-tax discount rates, calculated by reference to the weighted average cost of capital for each CGU, weighted to the country, or countries, in which the CGU operates. Movements in the pre-tax discount rates for CGUs since the year ended 31 December 2019 are driven by changes in market-based inputs and the company specific risk which is assessed based on economic outlook. Any unsystematic risk relating to the impact of Covid-19 on the CGUs has been inherently built in to the cash flows of each of the CGUs and therefore no additional element of risk has been included in the discount rates used at 31 December 2020. The pre-tax discount rates applied to the risk-adjusted cash flow forecasts and the carrying values of goodwill and other acquired intangible assets allocated to the CGUs tested for impairment at 31 December 2020 are set out below:

| **CGU** | **2020** | | | 2019 | | |
|---|---|---|---|---|---|---|
| | **Pre-tax discount rate %** | **Goodwill** | **Acquired Intangibles** | Pre-tax discount rate % | Goodwill | Acquired Intangibles |
| **Product Design** | **9.5** | 151.2 | 2.5 | 9.5 | 152.8 | 2.8 |
| **Marketing** | | | | | | |
| Lions | **9.5** | 81.1 | 60.7 | 9.9 | 81.1 | 64.0 |
| WARC | **9.6** | 10.6 | 13.3 | 10.2 | 10.6 | 16.5 |
| MediaLink | **11.5** | 32.4 | 16.4 | 12.5 | 33.4 | 19.8 |
| **Digital Commerce** | **9.7** | 156.9 | n/a | n/a | n/a | n/a |
| Edge | n/a | - | 45.6 | 11.0 | 118.4 | 69.6 |
| Yimian | n/a | - | 4.5 | n/a | 16.1 | 5.0 |
| Flywheel | n/a | - | 26.5 | 11.7 | 36.6 | 31.3 |
| **Retail & Financial Services** | | | | | | |
| Money20/20 | **11.1** | 35.2 | 7.2 | 10.9 | 36.3 | 9.5 |
| Retail Week &WRC | **9.2** | - | - | 6.4 | 4.0 | 5.4 |
| RFS Price & Promotion | **8.9** | - | - | n/a | n/a | n/a |
| **Built Environment & Policy** | n/a | n/a | n/a | 9.9 | 23.6 | 0.7 |
| **Total** | | **467.4** | **176.7** | | 512.9 | 224.6 |

**Sensitivity to changes in assumptions**
The calculation of value-in-use is most sensitive to the discount rate and long-term growth rates used. The Group has performed sensitivity analyses across all CGUs which have goodwill and acquired intangible assets, using reasonably possible changes in the already conservative long-term growth rates and pre-tax discount rates arising from reasonably possible trading and economic scenarios.

The Product Design CGU and Digital Commerce group of CGUs make up over 64% of the Group's total carrying value of goodwill. The estimated recoverable amount of the units exceeds their carrying amount by approximately £289.9m and £574.3m respectively. Given both units have significant headroom, there is no realistic change of assumption that would cause the units carrying amount to exceed its recoverable amount.

The carrying amount of the Retail Week & WRC and the RFS Price & Promotion CGUs were reduced to nil from impairment. Management has identified that a reasonable possible change of 11% forecast Adjusted EBITDA growth rate each year within the RFS Price & Promotion CGU would result in a reversal of impairment. A stronger than expected recovery in end markets of the Retail Week & WRC CGU could also result in an impairment reversal.

## 10. Deferred and contingent consideration

The Group has liabilities in respect of deferred and contingent consideration payments under various business acquisition contracts as set out in the table below:

| **(£ million)** | **Note** | **Total** | **Restated* Level 3** |
|---|---|---|---|
| **At 1 January 2019** | | **96.7** | **59.7** |
| Additions | | 3.3 | 3.3 |
| Acquisition–related employment costs accrued in the year | 4 | 20.1 | - |
| Revaluation of contingent consideration recognised in the consolidated income statement | 4 | 13.0 | 16.8 |
| Discount unwind on contingent and deferred consideration | 5 | 5.5 | 5.5 |
| Acquisition–related employment cash paid in year | | (11.5) | - |
| Deferred and contingent consideration cash paid in the year | | (20.3) | (10.6) |
| Effect of movements in exchange rates | | (3.6) | (2.3) |
| **At 1 January 2020** | | **103.2** | **72.4** |
| Additions | | 1.6 | 0.7 |
| Acquisition–related employment costs accrued in the year | 4 | 33.5 | - |
| Revaluation of contingent consideration recognised in the consolidated income statement | 4 | 64.1 | 64.1 |
| Discount unwind on contingent and deferred consideration | 6 | 7.9 | 7.9 |
| Acquisition–related employment cash paid in year | | (23.1) | - |
| Deferred and contingent consideration cash paid in the year | | (46.0) | (44.8) |
| Effect of movements in exchange rates | | (4.7) | (3.8) |
| Transfer to liabilities held for sale | | (0.3) | - |
| **At 31 December 2020** | | **136.2** | **96.5** |

| **(£ million)** | **2020** | 2019 |
|---|---|---|
| Current | **113.5** | 63.1 |
| Non-current | **22.7** | 40.1 |
| **Total** | **136.2** | 103.2 |

*Restated to reclassify £4.0m of revaluation of contingent consideration as level 3.

Both contingent consideration and acquisition-related employment costs are based on the future performance of the acquired business to which they relate. Performance is assessed using forecast profits and the current five-year plan which is updated annually. Forecasts are inherently a source of management estimation, resulting in a range of outcomes. The Flywheel Digital earnout is the largest payment and therefore most relevant when considering the sensitivity to fluctuations in performance. The payment due in 2021 is based on the 2020 results and hence no longer subject to such uncertainty, and a 10% increase in results in 2021 would result in an additional payment of around £8.8m in 2022 for the final Flywheel Digital payment.

## 11. Borrowings

The maturity profile of the Group's borrowings, consisting entirely of drawdowns from the RCF for the year ended 31 December 2020, was as follows:

| **(£ million)** | **2020** | 2019 |
|---|---|---|
| **Non-current** | | |
| Two to five years | **309.5** | 282.6 |
| **Total borrowings** | **309.5** | 282.6 |

Borrowings are shown net of unamortised issue costs of £3.2m (2019: £1.2m). The carrying amounts of borrowings approximate their fair value. The Group's borrowings at 31 December 2020 were £82.5m, $117.0m and €161.0m.

**Reconciliation of movement in net debt**

| (£ million) | Cash* | Cash in transit | Short-term deposits | Interest rate cap | Borrowings | Net debt** |
|---|---|---|---|---|---|---|
| **At 1 January 2019** | **49.4** | **7.2** | **125.4** | **-** | **(291.8)** | **(109.8)** |
| Exchange differences | 1.7 | - | 0.1 | - | 10.4 | 12.2 |
| Non-cash movements | - | - | - | 0.3 | (1.2) | (0.9) |
| Net cash movement | 27.9 | (6.0) | (94.0) | - | - | (72.1) |
| **At 1 January 2020** | **79.0** | **1.2** | **31.5** | **0.3** | **(282.6)** | **(170.6)** |
| Exchange differences | (1.8) | - | - | - | (3.1) | (4.9) |
| Term loan debt repayment | - | - | - | - | 285.8 | 285.8 |
| Net RCF debt cash flow drawdown | - | - | - | - | (311.5) | (311.5) |
| Fair value movement | - | - | - | (0.3) | - | (0.3) |
| Write off, capitalisation and amortisation of debt arrangement fees | - | - | - | - | 1.9 | 1.9 |
| Net cash movement | (26.2) | (0.7) | (2.8) | - | - | (29.7) |
| **At 31 December 2020** | **51.0** | **0.5** | **28.7** | **-** | **(309.5)** | **(229.3)** |

* Includes £2.0m of cash classified as held for sale as at 31 December 2020
** Refer to the Glossary of Alternative Performance Measures for the definition of Net Debt.

In addition to the net debt amount of £229.3m above, the Group has lease liabilities of £20.4m (2019: £26.8m) with movements comprising cash payments of £10.4m (2019: £9.0m), derecognition of leases of £1.2m (2019: £0.9m), additions of £5.7m (2019: £6.8m) and reclassification to liabilities held for sale of £0.5m (2019: £nil).

## 12. Events after the reporting date

### Acquisition of Digital Commerce businesses

On 16 December 2020, the Group entered into an agreement to acquire Hangzhou Duozhun Data Technology Co. Ltd. (“X Target”). X Target specialises in media trading execution and provides similar capabilities for China as our Flywheel brand does for Western eCommerce platforms. This acquisition is for an initial cash consideration of £11.9m, plus earn out payments payable over three years resulting in an estimated total consideration (including the initial consideration) of between £29m and £35m. The total consideration payable for the company, in the event that maximum targets are reached, is capped at £55m.

Also in December 2020, the Group agreed to acquire Intellibrand, based in Brazil, which provides eCommerce analytics solutions for brands across Latin America. The acquisition is for an initial cash consideration of £4.6m with a further £2.4m of earn out payments payable over three years resulting in an estimated total consideration of £7m.

The acquisition of Intellibrand completed on 15 January 2021 and the acquisition of X Target completed on 26 February 2021. Due to insufficient time since the completion date, it has not been practical to prepare the additional disclosures required by IFRS 3 Business Combinations regarding the fair values of the identifiable assets purchased and liabilities assumed.

### Disposal of Built Environment & Policy businesses

On 15 December 2020, the Group entered into an agreement to sell Glenigan to Byggfakta Group for £72.9m in cash. Following regulatory clearance required by the buyer, the sale is expected to complete on 17 March 2021. On 20 January 2021, the Group sold Groundsure to a subsidiary of ATI Global Limited for a purchase price of £170m comprising an initial cash consideration of £140m (subject to customary closing adjustments) plus a £30m interest-bearing vendor loan note repayable on or prior to 31 December 2023. On 12 February 2021, the Group sold DeHavilland to the alternative asset management group Bridgepoint for £15m in cash.

The profit on the disposal of these subsidiaries will be determined on finalisation of the completion balance sheets.

### Hudson

Subsequent to the year end, and as part of an investment agreement signed in January, the Group invested a further £21.8m in Hudson MX. The Group has the option to invest further amounts in 2021.